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OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 1—TUESDAY, MAY 9, 1922



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
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BY THE
OTTAWA
P. A. GORDON

COMMITTEE ROOM 429

HOUSE OF COMMONS,

TUESDAY, May 9, 1922.

The Select Special Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next, met at 12 o'clock noon, Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: Gentlemen, will you please come to order.

I assume our first step should be to read the Order of Reference, so that it may appear in the proceedings for our convenience. Is it the wish of the Committee that the Order of Reference be taken as read?

Agreed to.

Order of Reference as follows:

"On motion of Mr. Kennedy (Essex) it was ordered,—That rule eleven be suspended, and that, pursuant to the Resolution adopted by the House on May 5, the following members do compose a Select Special Committee to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next: Messieurs Maclean (Halifax), Euler, Malcolm, German, Duff, Macdonald (Pictou), McMurray, Hudson, Maclean (Prince), Michaud, Mitchell, Archambault, Vien, Stork, Crerar, Forke, Johnston (Last Mountain), Fansher, Halbert, McConica, Shaw, Dickie, Jones, Drayton (Sir Henry), Stewart (Lanark), Manion, and Boys, with power to send for persons, papers and records, including the Minutes and evidence taken before the Committee of this House in previous sessions, to examine witnesses under oath and to report from time to time."

Shall we pass a motion enabling the Committee to sit while the House is in session?

Moved by Mr. Euler, seconded by the Hon. Mr. Crerar:

That a report be made to the House recommending that the Special Committee appointed to consider railway transportation costs be empowered to sit while the House is in session.

Agreed to.

The CHAIRMAN: Gentlemen, this meeting is intended for organization purposes, and there are some matters I would like to place before you. Our inquiry centres very largely, if not wholly, with the Crowsnest pass rate agreement. Any departure from that, I think, had better be the result of developments as we proceed from time to time. I do not think it would be practicable on our part to endeavour to define the limits of the inquiry at the present time, but there is some information which I think we should obtain, and I would like to submit these matters to you in order that when we next meet we shall have something to proceed upon. The Crowsnest pass agreement, which is a statute, should, I think, be printed in our proceedings of to-day, so that it will be readily available to every member of the Committee.

Agreed to.

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The CHAIRMAN: Mr. Hudson, is the so-called Manitoba agreement a provincial statute?

Mr. HUDSON: It is incorporated in the statutes.

The CHAIRMAN: Is it lengthy?

Mr. HUDSON: I think it would cover about three printed pages.

The CHAIRMAN: Do you think it would be desirable to have that agreement printed in our proceedings?

Mr. HUDSON: Not at this stage; it might be desirable later on.

Mr. MITCHELL: Would it not be a good thing to have the Order in Council printed in our proceedings?

The CHAIRMAN: Do the members of the Committee think it desirable to have a statement showing all the changes in the tariff rates since the Crowsnest pass agreement, including the Eastern Rates case, the 15 per cent increase, the 25 per cent increase, the 40 per cent increase and the 10 per cent reduction, included in the proceedings?

Sir HENRY DRAYTON: I have no doubt we want to know the rate situation. If you want to know the rate situation as disclosed by the Crowsnest pass agreement you must go farther back and secure information as to the rates as they obtained in the year 1896, and also as to the lines and stations from which those rates did apply. Then you must obtain information as to the rate situation that developed in the western rates case judgment in 1914. I am speaking now from recollection which is somewhat hazy, but the Crowsnest pass agreement ceased to be operative some few years after it was passed. In the Western Freight Rates judgment of 1914 there was only one rate—I forget it at the present time—that was controlled by the Crowsnest pass agreement. At that time the conditions of the country and railway costs were such that the Board were able to make considerable cuts, and did make those cuts with the exception of one rate. In order to get the rate situation properly before this Committee you must start with the rates as they were before the Crowsnest pass agreement.

The CHAIRMAN: Do you mean you would present a document showing the rates on all commodities?

Sir HENRY DRAYTON: That is a matter for the Committee. Some members may want to take the rates in regard to special commodities, but we are not limited to special commodities or special costs, and costs, as a matter of fact, cover the whole railway activities. What we are considering here is the railway rate situation, with a view to ascertaining how it is affected by the Crowsnest pass agreement, and how that situation particularly affects certain interests defined in the resolution. It seems to me that representatives of the railway companies should be subpoenaed here with their tariffs, and those tariffs should be produced and put in. I do not believe it is feasible for you to unduly limit the inquiry at the present time one way or the other. The people of Canada are vitally interested in this question of rates. They certainly were not curtailed in their representations before the Railway Board. The provinces particularly interested should, I think, have the right to appear here and make whatever representations they desire to make. I do not think the Committee has any right to fetter in any way the action of any section of the country that may desire to make representations upon this most important question before us. The public as a whole should have just as free rights as any railway company in the matter of appearing before this Committee. It may be that many of these gentlemen will not think it necessary to appear, but I do not think it would do for this Committee to give out the idea that we were only going to consider railway costs, having special regard to the Crowsnest pass agreement. If you do that you are attempting to limit the question of railway costs to certain specified items which are covered by the Crowsnest

pass agreement, and you must remember that there is no one tariff in any important commodity that is not more or less either directly or indirectly related to every other tariff in the tariff books.

The CHAIRMAN: I merely asked the Committee whether they would like in a clear, brief form a statement showing the changes made in the railway rate tariff which affected the Crowsnest pass agreement either by Order in Council or the judgment of the Railway Board, so that it would be before us on the record. There were four or five changes made, and I thought if we had a brief statement of that kind it would be helpful.

Mr. HUDSON: Your suggestion deals only with the flat rate changes, not the individual changes?

The CHAIRMAN: No, the 15 per cent, 25 per cent and 40 per cent increases, and also the reductions. It all affects the Crowsnest pass agreement.

Mr. HUDSON: I think we should have a statement of the amount of the subsidy which the C. P. R. received, and when they received it. Secondly, the date on which the rates prescribed by the Crowsnest pass agreement first became effective. Thirdly, when the tariff on the commodities specified in the Crowsnest pass agreement were first reduced below the Crowsnest pass scale. That is the point that Sir Henry Drayton has mentioned.

Sir HENRY DRAYTON: The whole of that is covered in the 1914 decision.

Mr. HUDSON: It might be well to have that 1914 decision printed.

Sir HENRY DRAYTON: It is very long.

The CHAIRMAN: I will undertake to see that all the judgments are rendered accessible to the members of the Committee. I understand it will be difficult to secure numerous copies, but at least one copy will be on the table available to all members of the Committee.

Mr. HUDSON: Then, the reason why these lower scales were adopted. I presume that judgment discloses that?

Sir HENRY DRAYTON: It is merely a matter of railway economy. The duty of the Board is to put into effect rates that are reasonable.

Mr. HUDSON: My information is that the Manitoba Agreement had a direct bearing on that, particularly as regards grain.

Sir HENRY DRAYTON: In the judgment of 1916 you will find that the Manitoba Agreement was not considered binding on the Board.

Mr. MITCHELL: What is the Manitoba Agreement?

Mr. HUDSON: The agreement of 1901 between the Manitoba Government and the Canadian Northern Railway Company, under which maximum rates were fixed from the western boundary of Manitoba to Fort William.

Mr. MITCHELL: Do not you think that should be printed in the proceedings?

The CHAIRMAN: I think it would be better to print it in the proceedings. The motion is that the so-called Manitoba Agreement be printed in to-day's proceedings. What is your pleasure, gentlemen?

Agreed to.

Sir HENRY DRAYTON: It would be quite practicable to print the judgment of 1916, which is very short; the 1914 judgment is very long.

Mr. HUDSON: Next I would like to have information as to how long the lower scales continued. That would be covered, I think, by the information you suggested, Mr. Chairman.

The CHAIRMAN: Yes; that was the idea I had in mind.

Mr. HUDSON: I think the Committee should have a statement from the railway companies of the volume and movement of traffic in the case of the particular com-

modities covered by the agreement during the last ten years. Next, the financial statements of the Canadian Pacific Railway Company for the last ten years. I think they are available in printed form. Lastly, a statement of the net earnings of the Canadian Pacific Railway Company east and west of Fort William for each of the last ten years by months, separating the earnings of British Columbia from those of the other western lines. I think those statements are probably before the Board of Railway Commissioners now and can be easily obtained.

Sir HENRY DRAYTON: Is this Committee interested in basic commodities, or is it not? If it is interested in basic commodities as a whole and is not interested in one or two specific commodities particularly mentioned in that agreement, the information my friend asks for under the agreement ought to be extended to the movement of all basic commodities. It seems to me you have to make up your minds on the one hand whether you will forget about potatoes, for instance, and think only about grain, or forget about livestock and think only about grain, and so forth. Are we interested in the movement of basic commodities? Take coal, or lumber?

The CHAIRMAN: There is a great deal of documentary information which will be furnished to us by the railways and also the Board of Railway Commissioners. It is very difficult for the whole Committee to decide what should go in, and I therefore suggest that the Committee designate three members, one from each of the three groups in the House, to act with your Chairman in going through these documents and reporting to the Committee at its next meeting those documents which we consider should become part of the record. In that manner I believe we could make greater progress.

Mr. GERMAN: Mr. Chairman, how far is our investigation going to be limited? Is it going to be wide open? It seems to me our investigation is as to whether or not the Crowsnest pass agreement shall again come into effect after the 6th July next. Its operations were suspended by statute for three years, and the question now is whether its suspension shall be extended for a further period, or its operation revived on the 6th July next. I have looked at the Act, and so far as the agreement is concerned it only affects a very few articles, about thirteen different specific commodities. Why should not our investigation be restricted to those particular things? If there have been judgments by the Railway Board since that agreement which have reduced the freight rates on these commodities to a lower scale than this agreement specifies—

Sir HENRY DRAYTON: That is all changed now; they are all higher now.

Mr. GERMAN: The question is, shall this agreement become operative again on the 6th of July?

The CHAIRMAN: Largely, according to the Minister's statement; and also how it will affect the Government railways.

Sir HENRY DRAYTON: And how it will affect trade and commerce.

Mr. GERMAN: I do not see how it will affect the Government railways or trade and commerce. To my mind, the whole question to be decided is, shall that Crowsnest pass agreement become operative again on the 6th of July?

The CHAIRMAN: And the Committee desire to ascertain such facts as will enable them to reach a conclusion upon that matter.

Mr. STEWART (Lanark): The resolution says a great deal more than that.

Mr. GERMAN: The resolution says to inquire into the cost of transportation and the effect upon Canadian National Railways and other lines of the expiration of the suspension of the Crowsnest pass agreement on July 6 next; that is all we have to decide.

Mr. STEWART: Mr. German does not state fully what the resolution itself states. Surely any decision we arrive at in regard to the advisability of further suspending the Crowsnest pass agreement or allowing it to revive automatically must have regard to the relationship of these commodities now to other basic commodities.

The CHAIRMAN: Let me read the Order of Reference for your information:—

“On motion of Mr. Kennedy (Essex) it was ordered,—That rule eleven be suspended and that, pursuant to the Resolution adopted by the House on May 5, the following members do compose a Select Special Committee to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways, and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next.”

So primarily, our inquiry centres around that agreement.

Mr. MACDONALD (Pictou): The other day in the House the Minister stated that everybody desired lower freight rates, that conferences had been held with the controllers of the different roads with regard to the reduction of freight rates on the basic commodities, and that these gentlemen took the position that the question was interwoven with the question of the suspension or operation of the Crowsnest pass agreement on the 6th July next. The Order of Reference is peculiarly worded, but it seems to me our purpose here is to consider first whether the Crowsnest pass agreement should come into effect again on the 6th July, or, if not, what other relief, having regard to the cost of transportation, can be afforded in the matter of freight rates upon basic commodities. I do not know whether Mr. Stewart agrees with me or not, but that is my interpretation of what we are here for, and it seems to me we should obtain from the Railway Commission a brief statement of the operation of this agreement, first with regard to the reductions, and secondly, increases. That statement could be placed upon the record, and then if it was thought desirable to go into details later on, these various judgments could be studied. Personally, I would like a brief statement showing the various steps taken in connection with the matter, because I do not think it was brought out in detail in the debate.

The CHAIRMAN: That can be done very easily.

Mr. MACDONALD: We should commence upon a proper basis. After we have obtained the history of this agreement we can proceed. I think it would be a great mistake not to consider the question of whether or not relief can be brought to the country by reduced freight rates on basic and other commodities.

Mr. STEWART: The Order of Reference covers the whole question of agricultural as well as industrial interests. I entirely agree with Mr. Macdonald that we should go out and deal with the movement of basic commodities that are not now within the terms of the Crowsnest pass agreement. We must surely deal with the question of the movement of lumber in both directions, for instance.

The CHAIRMAN: Will not that develop more clearly as we proceed?

Mr. STEWART: I do not want to stress the point now.

Mr. HUDSON: Mr. Chairman, the points which I mentioned and the information I suggested we should get, have a direct bearing on the Crowsnest pass agreement and its effects on the rates to which it applies. It seems to me that that is the primary purpose of this Committee, and if the Committee will order the information which I have asked for, it will form a good starting point for the purpose of consideration, then we will ascertain what additional matters must be dealt with. There is, no doubt, a great deal in what Sir Henry Drayton and Mr. Macdonald have said, but it seems to me the information I asked for and suggested should be asked for is primary information which should be segregated by itself as one part of the proceedings of this Committee.

Sir HENRY DRAYTON: There are two parties to this issue that have some concrete suggestions and ideas to offer. One party consists of the representatives of the prairie provinces, who are well briefed in connection with this whole matter. Mr. Symmington has made a special study of this case, and has spoken for days and days

upon it. He knows all about the issues from his side of the case. On the other hand you have the railways, who know all about the issues from their side of the case. Why cannot we have these gentlemen subpoenaed here at once and let them make their initial statements and then deal with the main issue from the standpoint of the Canadian people as a whole who are interested in the question of basic commodities. From the standpoint of the Committee, I do not think we should start out with any statement of this case as suggested by Mr. Hudson, although I agree that, as part of Mr. Symmington's case, what Mr. Hudson says is perfectly correct; but it should be part of that case and not part of this Committee's work. I suggest that these people be subpoenaed before us to present the issues on behalf of the prairies and the railways, but when we are fixing those issues we should not overlook the main issue, which is to obtain, if possible, a reduction of freight rates on basic commodities all over Canada.

Hon. Mr. CRERAR: I take exception to the remarks made by Sir Henry Drayton. The whole purpose of this reference as contained in the reference itself and as further expounded in the statements made by the members of the Government in the debate the other day, is whether or not the Crowsnest pass agreement shall again come into effect. Why should we involve that with a great, broad discussion as to whether we should have reductions on basic commodities or not? That is the point of reference, and the question we have under consideration. It is not the duty of this Committee to usurp the functions of the Board of Railway Commissioners as far as rates are concerned. Sir Henry Drayton is at liberty, of course, to put his own construction upon this resolution, but we have to be guided by the terms of the reference itself, and the expressions of the members of the Government in respect to it. I submit we have to consider whether or not this agreement should be further suspended. If no action is taken, that agreement automatically comes back into effect on the 6th July. It may be that as we explore that situation some other aspects of the case may develop, but at the present moment I think we should approach this matter from the point of view of considering this agreement and this agreement alone. I think the information asked for by Mr. Hudson is absolutely pertinent to the inquiry and that we should proceed from that standpoint. If we take the other ground, that the question for this Committee to decide is not whether or not this agreement shall come back into effect on the 6th July, but whether reductions shall take place on certain basic commodities, then we are putting the cart before the horse. I think the position of the Committee is quite clear in regard to the matter.

Sir HENRY DRAYTON: I would like to ask whether or not the real reason why the Government has taken this matter up is because they were interested in a reduction of basic commodity rates. They applied to the railways for this reduction, and were told that these railway companies could not make a reduction in basic commodity rates owing to the question of the Crowsnest pass agreement. I understood the Government were interested—of course, it is for them to declare if they are not—in the reduction of basic commodity rates. That is the idea I got from what was said by supporters of the Government on that movement. Of course, if they are not interested in them, that is another matter. If they view with equanimity the present basic rate situation in Canada, very well.

Hon. Mr. CRERAR: I still differ with Sir Henry Drayton in respect to this. As far as anything disclosed in the House by the Government is concerned, the proposition was simply that the Government had up with the railway companies, probably of their own motion, the question as to whether or not reductions should be made on certain basic commodities. I do not know what discussion took place between the Government and the railway companies. We have the statement in the Speech from the Throne and the further statements made by the members of the Government that they discussed with the railway companies the question of a reduction on basic commodity rates. The railway companies replied that they were not prepared to consider

that reduction because the Crowsnest pass agreement comes back into effect on the 6th July. That is not inconsistent with the reference to the Committee. In fact, it supports the very position I have taken.

Hon. Mr. MANION: I would like to have from the Railway Commissioners a brief, unbiased synopsis of the history of this case from before 1898.

The CHAIRMAN: And also the changes in the tariff since?

Hon. Mr. MANION: Yes. I have no objection to the suggestions made by Mr. Hudson, but it would take those of us who are unfamiliar with this subject months to study these statements.

The CHAIRMAN: I have asked the Chairman of the Railway Commission to prepare such a precis of the history of the case, and now have it subject to revision. My idea is that we should endeavour to get together such documents as are relevant to the issue before the Committee, and have them printed into our records before we call any of the railway witnesses, so that we may have some idea of what these witnesses are talking about when they appear before us. My suggestion is that you appoint a Committee of three, one from each group in the House, to act with myself in communicating with the Railway Board along the lines of Mr. Hudson's suggestion, and then to report here on Friday what documents we think should be immediately printed into the records so that when the Committee meets next week to hear the railway representatives every member will be in a position to follow their arguments. I should not like to see the issue develop here to-day as to the jurisdiction of the Committee. I think, as Mr. Crerar has stated, that the issue centres around the Crowsnest pass agreement. I have no doubt we shall travel outside of that later on, but I suggest that we let that situation develop.

Mr. STEWART: Do I understand that all that has been said with reference to what should be included in this printed record or story of the case will go before the sub-committee that is to be appointed for the purpose of considering what documents should go in.

The CHAIRMAN: Yes; that we shall report to the Committee on Friday, if possible, just what we think should go into the record, and if you approve we shall have it printed.

Hon. Mr. MANION: Mr. Chairman, the printing of the proceedings of the Railway Committee last year was done very slowly, and very often we obtained the report of the meeting only after the following meeting, when it was of very little use to us.

The CHAIRMAN: I think we shall make greater progress if we endeavour to get all the printed matter we want before we start to hear the evidence.

Mr. HUDSON: The matters I mentioned are matters which are only in part before the Railway Commission. Some information I asked for is not in the possession of the Railway Commission. They never formerly were asked to deal with the question of the Crowsnest pass agreement. It came up incidentally when they were fixing the rates.

The CHAIRMAN: Name them again.

Mr. HUDSON: First, the amount of the subsidy which the Canadian Pacific Railway Company received, and when they received it. That is something the Canadian Pacific Railway Company can give us, or that we can get from the Department of Finance. Secondly, the date on which their rates first became effective. The Railway Commission was not in existence at the time of the Crowsnest pass agreement. Thirdly, when the tariff was first reduced below the Crowsnest pass scale. I do not know whether it was reduced before the Railway Commission was formed or not. I am inclined to think the tariff was below the Crowsnest pass scale before the Railway Commission was created.

The CHAIRMAN: Yes, it was.

Mr. HUDSON: Next, the reason for the lower scale. That is something probably not incorporated in a document. It would be a matter of evidence, but is something which I think should be suggested to the Railway Commission.

The CHAIRMAN: Could not that all be considered by a sub-committee?

Mr. HUDSON: I dare say it can, but your suggestion with regard to the sub-committee was confined to obtaining information from the Railway Commission. I want it made clear that there is information which has an important bearing on this question which the Railway Commission have not got. The only two matters which the Railway Commission are well-informed upon that I have mentioned here are, first, the financial statement of the C.P.R. and, secondly, their net earnings during the last ten years. The Railway Commission will have a record of those things. I would submit this statement to you, Mr. Chairman, for consideration by the sub-committee.

The CHAIRMAN: The Chairman of the Railway Board informs me that any exhibits which were filed during the hearings during the past year on railway rates will be available to us, and he will expedite their being placed in our hands.

It is suggested that the sub-committee to act with the Chairman in selecting the documentary evidence which might be printed in the proceedings be composed of Sir Henry Drayton, Mr. Mitchell and Mr. Hudson.

Agreed to.

I shall have a map prepared showing the C. P. R. lines as affected by the Crowsnest pass agreement, and also the Government lines superimposed on them, which will come within that territory.

Mr. MALCOLM: Will this investigation be confined to basic commodities. If you let the enquiry drift into tariffs on other shipments, it will never end.

The CHAIRMAN: We cannot go too far. It is difficult to see at the moment how far we may require to go. I am quite sure every member of this Committee will desire to limit the enquiry; otherwise we will not be able to make a report.

It is suggested that the proceedings of the day be printed from day to day, and that these proceedings be circulated to all members of the House and also members of the Senate.

Agreed to.

Mr. GERMAN: The sub-committee should be able to report the documents on Friday and have them printed. Then this Committee should go on meeting, because these matters have to be decided before July 6.

The CHAIRMAN: Yes. We might as well arrange the matter of the attendance of witnesses in advance. So far as the Crowsnest pass agreement is concerned, it affects the public, the C. P. R. and the C. N. R. I would suggest that the first witness should come from the C. P. R., and that they be instructed to be ready to make their statement. I would further suggest for your consideration that we ask them to have their statement in writing so that it may be read to the Committee and thus appear in the proceedings in a continuous form, after which cross-examination may proceed.

Mr. MACDONALD: I think you should ask the Canadian National people to prepare a statement in so far as it affects them.

The CHAIRMAN: Yes, to have their statements in writing. Is it the judgment of the Committee that somebody on behalf of the C. P. R. be requested to appear first before the Committee?

An hon. MEMBER: Why not both?

Mr. EULER: I take it that the primary purpose of this investigation is to have the C. P. R. show cause why the Crowsnest pass agreement should not come into force again on the 6th July?

The CHAIRMAN: Yes. Then we are agreed that we shall hear the C. P. R. first and then the C. N. R. There is just another matter for your consideration: Other than the railways, who shall we asked to appear before us?

Mr. FORKE: I have received a request for nearly all the Manitoba towns to be represented here.

The CHAIRMAN: Would it not be possible to get one body to speak for numerous kindred bodies?

Mr. FORKE: I think probably two from Manitoba would be sufficient?

Hon. Mr. CRERAR: I think we should proceed a little cautiously in that respect; otherwise the Committee may create the impression that it is limiting the number of those who wish to make representations to it.

The CHAIRMAN: I am only asking for the judgment of the Committee.

Hon. Mr. CRERAR: Oh, quite. I am only making an observation upon your suggestion. I think it might be misunderstood, to say the least. Why not simply make the general statement. Send invitations to Boards of Trade in the larger cities that are affected, and also to the provincial governments that are interested in this matter of freight rates, but make your statement general enough that any person else who wishes to make representations will be heard as was done in the Wheat Board inquiry. By so doing you will disarm any criticism by people who feel they are being shut out.

The CHAIRMAN: Would you suggest that we formally ask the provincial governments?

Mr. MACDONALD: The counsel appearing before the Railway Commission on behalf of the provincial governments have the whole matter in hand, and would present practically everything of importance and interest to us in a very succinet way. For instance there would be no use a gentlemen from the Boards of Trade reiterating what Mr. Symmington has already put in before the Railway Commission.

Hon. Mr. CRERAR: The issue before the Railway Commission during the last three of four months was rather a different issue from the one this Committee is asked to consider. That was an application for a general reduction in freight rates. I think for the present this Committee should confine itself to the question of whether or not this agreement should be restored.

The CHAIRMAN: Would it be wise to formally ask the provincial government of the far West to send representatives here?

Mr. SHAW: I think it is advisable to ask the provincial governments to appear here. The province of Alberta has a freight traffic expert of its own. The Boards of Trade in western communities have given very serious and lengthy consideration to the question of freight rates. I suggest that the organization known as the Associated Boards of Trade, which comprises in its membership all the Boards of Trade in Western Canada, should be notified so that they can notify their membership.

The CHAIRMAN: Where are they located?

Mr. SHAW: I am not sure. I think their headquarters are at Saskatoon or Calgary. They cover all the West. I think they could communicate with their membership more easily than this Committee could.

Mr. EULER: Mr. Chairman, when you mentioned asking the provincial governments to send representatives, did you include the province of Ontario?

The CHAIRMAN: I did not for the moment. I thought we would advise the western provinces because they are far away.

Mr. EULER: Ontario is just as much interested in railway freight rates as the western provinces.

The CHAIRMAN: We shall advise the four western provinces and the Associated Boards of Trade for the time being. Mr. Shaw, do the Associated Boards of Trade to which you made reference include all the western provinces or is it merely provincial?

Mr. SHAW: It includes Manitoba, Saskatchewan, Alberta and British Columbia.

The CHAIRMAN: Then it is agreed that the four western provinces will be notified in the meantime that we wish to hear them. Shall we hear counsel?

Mr. ARCHAMBAULT: I do not think we should hear legal counsel.

Mr. McCONICA: Would it not be well to put it up to the provincial governments to send the people who are interested? Let them understand there is a general invitation, and that you rely on them to bring those who are directly interested.

The CHAIRMAN: Yes. We can leave the question of permitting legal counsel to appear before us until a later date. There is no further business to-day.

The Committee adjourned at the call of the Chair at one o'clock p.m.

COMMITTEE ROOM 497,

HOUSE OF COMMONS,

Thursday, May 11, 1922.

The Select Special Committee appointed to make inquiry into the question of railway transportation costs, etc., met at 12.30 o'clock p.m., Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Gentlemen, at our last meeting I stated the sub-committee would report to you as quickly as possible, and you have been called together to-day merely to hear what the sub-committee have agreed upon. The documents which your sub-committee submit should be published as schedules are as follows:—

1. The Crowsnest Statute.
2. The Manitoba agreement and the judgment of the Board of Railway Commissioners in connection therewith.
3. A statement of the amount of subsidy received by the Canadian Pacific Railway and the dates of payment under the Crowsnest Statute.
4. The rates affected by the Crowsnest pass agreement as charged prior to its enactment.
5. The rates put into effect on commodities mentioned in the Crowsnest pass agreement subsequent to the enactment of that agreement.
6. Statement showing the grain and flour rates prior to and subsequent to the Crowsnest pass agreement.
7. A statement showing the rates on basic commodities charged in the eastern territory and the western territory prior to the Crowsnest pass agreement, and subsequently thereto down to date.

Perhaps the Committee will have to rely upon the judgment of the sub-committee as to what are to be considered basic commodities. They will include such commodities as lumber coal, steel, brick, etc.

With regard to the official report of the proceedings of this Committee, there is a rule inaugurated by the Speaker of the House which states that the reporters of the proceedings of committees shall not record discussions. The effect of this rule in so far as the report of our last meeting is concerned will be to restrict it to a record of the motions dealt with at that meeting. Some members of the Committee think that in an inquiry of this kind the discussion should be reported. If a witness is asked a question and it is answered, both the question and answer would appear in the report, but if before the answer is given a discussion arises among the members of the Committee, no record of that discussion will appear in the proceedings, and the result may be to render the answer given perhaps not very informative.

Hon. Dr. MANION: Were not the discussions which took place in the Railway Committee last year reported?

The CHAIRMAN: Yes. Is this a new rule, Mr. Howe?

The CLERK: No; it came into force as the result of discussions of a personal nature which took place in the Public Accounts Committee some years ago.

Mr. MACDONALD (Pictou): Should the Committee pass a resolution requesting that the reporters be instructed to report our discussions?

The CHAIRMAN: I think so. Is this agreeable to the Committee:—

That a report be made to the House recommending that the discussion, as well as the evidence being taken by the Special Committee considering Railway Transportation Costs, be stenographically reported and printed as part of the record.

Agreed to.

Hon. Mr. STEWART (Lanark): When will the record containing the documents referred to be available?

The CHAIRMAN: The sub-committee will proceed to complete that record as quickly as possible.

Hon. Mr. STEWART: I think we should have that record before us prior to our next meeting.

The CHAIRMAN: I think so, too. Items numbers 4, 5 and 6 may take a little time to prepare.

Mr. SHAW: I have received two or three communications from Boards of Trade in various parts of Western Canada requesting information as to whether this Committee will receive deputations representing these organizations.

Hon. Mr. STEWART: I, too, have received several communications from Boards of Trade in Ontario who desire to ascertain whether the Committee will permit them to be represented here, and if so, whether they will receive due notice when to appear.

Mr. MITCHELL: What did the Committee decide the other day in that regard?

The CHAIRMAN: That we would let the matter develop. We agreed to ask the provincial governments whether they desire to send representatives to appear before the Committee.

Mr. HUDSON: And also representatives of the Associated Boards of Trade.

The CHAIRMAN: It was not decided just who the Associated Boards of Trade are.

Hon. Mr. STEWART: The whole matter was deferred.

Sir HENRY DRAYTON: While it may not be considered necessary to issue invitations, I do not think the Committee can refuse to hear anybody who desires to appear before us.

The CHAIRMAN: If any member of the Committee receives communications requesting permission to attend will notify Mr. Howe, the Clerk, he will forward a letter which will indicate that they will be heard if they so desire, but I do not think the Committee should encourage more persons to give evidence than are absolutely necessary. Is it the wish of the Committee to leave these matters to be dealt with by the sub-committee? If so, it will be helpful to the Chairman.

Hon. Mr. CRERAR: Will the sub-committee report to the main Committee?

The CHAIRMAN: Yes.

Hon. Mr. CRERAR: That is as to who shall be called?

The CHAIRMAN: Yes.

Hon. Mr. CRERAR: I think we should settle the principle with regard to that. I agree with Sir Henry Drayton that it is very difficult to refuse anybody who desires to come here to make representations. If we do so, we shall make ourselves very unpopular.

Hon. Mr. STEWART: Would it not be wise to permit the sub-committee to deal with the order in which these witnesses shall appear before us? Otherwise I am afraid the evidence will not be taken in proper sequence and order. I think it would be better for the sub-committee to have some direction as to the time at which different interests shall be heard, in order that we may proceed along certain lines rather than have evidence taken according to the convenience of people who may have come a distance on their own mere motion, and without any expression on the part of the Committee as to the time best for them to come.

The CHAIRMAN: Yes. The sub-committee will report to the main Committee.

Mr. MACDONALD (Pictou): The whole matter is necessarily nebulous at the present time. The Committee must see the printed documents in order to ascertain what the real issue is. After we hear the railway representatives next week we shall have a better idea of what course to pursue.

Mr. MITCHELL: I think everybody is of the opinion that we desire to get all the information we possibly can in connection with this matter that will help us in arriving at a decision. If, however, the Committee decides to hear anybody who desires to be heard, it seems to me it will open the door very wide indeed, thousands of Boards of Trade all over the country may decide to send representatives here to give evidence which would not be of the slightest assistance to us in arriving at a conclusion, particularly when we do not know exactly what we are going to do.

Mr. MACDONALD: There is also the question of who is going to pay the expenses of those who do appear before us.

Mr. MITCHELL: If we communicate with the provincial governments indicating that they may suggest from their own points of view, having regard to their own local conditions, what evidence could be submitted here that would be of assistance to the Committee in arriving at a conclusion on this question, I think it would be far better than opening the door, although I do not want to limit myself to that course at the present moment. The provinces of Manitoba, Saskatchewan and Alberta could send representatives.

The CHAIRMAN: That has already been decided, and I think we should let the matter remain as it is just now.

The Committee adjourned at 12.50 o'clock p.m.



60-61 VICTORIA

CHAP. 5.

An Act to authorize a Subsidy for a Railway through the Crow's Nest Pass.

[Assented to 29th June, 1897.]

HER Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. Subject to the conditions hereinafter mentioned, the Governor in Council may grant to the Canadian Pacific Railway Company a subsidy towards the construction of a railway from Lethbridge, in the district of Alberta, through the Crow's Nest Pass to Nelson, in the province of British Columbia (which railway is hereinafter called "the Crow's Nest Line,") to the extent of eleven thousand dollars per mile thereof, and not exceeding in the whole the sum of three million six hundred and thirty thousand dollars, payable by instalments on the completion of each of the several sections of the said railway of the length respectively of not less than ten miles, and the remainder on the completion of the whole of the said railway; provided that an agreement between the Government and the Company is first entered into in such form as the Governor in Council thinks fit, containing covenants to the following effect, that is to say:—

Subsidy to the Canadian Pacific Railway Co. for railway through Crow's Nest Pass.

Agreement to be entered into.

Covenants therein.

On the part of the Company:

(a.) That the Company will construct or cause to be constructed, the said railway upon such route and according to such descriptions and specifications and within such time or times as are provided for in the said agreement, and, when completed, will operate the said railway for ever;

(b.) That the said line of railway shall be constructed through the town of Macleod, and a station shall be established therein, unless the Governor in Council is satisfied by the Company that there is good cause for constructing the railway outside the limits of the said town, in which case the said line of railway shall be located and a station established at a distance not greater than five hundred yards from the limits of the said town;

(c.) That so soon as the said railway is opened for traffic to Kootenay Lake, the local rates and tolls on the railway and on any other railway used in connection therewith and now or hereafter owned or leased by or operated on account of the Company south of the Company's main line in British Columbia, as well as the rates and tolls between any point on any such line or lines of railway and any point on the main line of the Company throughout Canada, or any other railway owned or leased by or operated on account of the Company, including its lines of steamers in British Columbia, shall be first approved by the Governor in Council or by a Railway Commission, if and when such Commission is established by law, and shall at all times thereafter and from time to time be subject to revision and control in the manner aforesaid;

(d.) That a reduction shall be made in the general rates and tolls of the Company as now charged, or as contained in its present freight tariff, whichever rates are now the lowest, for carloads or otherwise, upon the classes of merchandise hereinafter mentioned, westbound, from and including Fort William and all points east of Fort William on the Company's railway to all points west of Fort William on the Company's main line, or on any line of railway throughout Canada owned or leased by or operated on account of the Company, whether the shipment is by all rail line or by lake and rail, such reduction to be to the extent of the following percentages respectively, namely:—

Upon all green and fresh fruits, 33 $\frac{1}{3}$ per cent;

Coal oil, 20 per cent;

Cordage and binder twine, 10 per cent;

Agricultural implements of all kinds, set up or in parts, 10 per cent;

Iron, including bar, band, Canada plates, galvanized, sheet, pipe, pipe-fittings, nails, spikes and horse shoes, 10 per cent;

All kinds of wire, 10 per cent;

Window glass, 10 per cent;

Paper for building and roofing purposes, 10 per cent;

Roofing felt, box and packing, 10 per cent.

Paints of all kinds and oils, 10 per cent;

Live stock, 10 per cent;

Wooden ware, 10 per cent;

Household furniture, 10 per cent;

And that no higher rates than such reduced rates or tolls shall be hereafter charged by the Company upon any such merchandise carried by the Company between the points aforesaid; such reductions to take effect on or before the first of January, one thousand eight hundred and ninety-eight;

(e.) That there shall be a reduction in the Company's present rates and tolls on grain and flour from all points on its main line, branches, or connections, west of Fort William to Fort William and Port Arthur and all points east, of three cents per one hundred pounds, to take effect in the

following manner:—One and one-half cent per one hundred pounds on or before the first day of September, one thousand eight hundred and ninety-eight, and an additional one and one-half cent per one hundred pounds on or before the first day of September, one thousand eight hundred and ninety-nine; and that no higher rates than such reduced rates or tolls shall be charged after the dates mentioned on such merchandise from the points aforesaid;

(f.) That the Railway Committee of the Privy Council may grant running powers over the said line of railway and all its branches and connections, or any portions thereof, and all lines of railway now or hereafter owned or leased by or operated on account of the Company in British Columbia south of the Company's main line of railway, and the necessary use of its tracks, stations and station grounds, to any other railway company applying for such grant upon such terms as such Committee may fix and determine, and according to the provisions of *The Railway Act* and of such other general Acts relating to railways as are from time to time passed by Parliament; but nothing herein shall be held to imply that such running powers might not be so granted without the special provision herein contained;

(g.) That the said railway, when constructed, together with that portion of the Company's railway from Dunmore to Lethbridge, and all lines of railway, branches, connections and extensions in British Columbia south of the main line of the Company in British Columbia shall be subject to the provisions of *The Railway Act*, and of such other general Acts relating to railways as are from time to time passed by Parliament;

(h.) That if the Company or any other company with whom it shall have any arrangement on the subject shall, by constructing the said railway or any part of it, as stipulated for in the said agreement, become entitled to and shall get any land as a subsidy from the Government of British Columbia, then such lands, excepting therefrom those which in the opinion of the Director of the Geological Survey of Canada (expressed in writing) are coal-bearing lands, shall be disposed of by the Company or by such other company to the public according to regulations and at prices not exceeding these prescribed from time to time by the Governor in Council, having regard to the then existing provincial regulations applicable thereto; the expression "lands" including all mineral and timber thereon which shall be disposed of as aforesaid, either with or without the land, as the Governor in Council may direct;

(i.) That if the Company or any other company with whom it shall have any arrangement on the subject shall, by constructing the said railway or any part of it as stipulated for in the said agreement, become entitled to and shall get any lands as a subsidy from the Government of British Columbia which in the opinion of the Director of the Geological Survey of Canada (expressed in writing) are coal-bearing lands, then the

Company will cause to be conveyed to the Crown, in the interest of Canada, a portion thereof to the extent of fifty thousand acres, the same to be of equal value per acre as coal lands with the residue of such lands. The said fifty thousand acres to be selected by the Government in such fair and equitable manner as may be determined by the Governor in Council, and to be thereafter held or disposed of or otherwise dealt with by the Government as it may think fit on such conditions, if any, as may be prescribed by the Governor in Council, for the purpose of securing a sufficient and suitable supply of coal to the public at reasonable prices, not exceeding two dollars per ton of two thousand pounds free on board cars at the mines.

And on the part of the Government, to pay the said subsidy by instalments as aforesaid.

Company to carry out agreement.

2. The Company shall be bound to carry out in all respects the said agreement, and may do whatever is necessary for that purpose.

Issue of bonds.

3. In order to facilitate such financial arrangements as will enable the Company to complete the railway as aforesaid without delay and to acquire and consolidate with it the railway from Dunmore to Lethbridge, hereinafter called "the Alberta Branch," which, under the authority of chapter thirty-eight of the statutes of 1893, it now operates as lessee, and is under covenant to purchase, the Company may issue bonds which will be a first lien and charge and be secured exclusively upon the said Alberta Branch and Crow's Nest Line together in the same way and with the same effect as if both the said pieces of railway to be so consolidated were being built by the Company as one branch of its railway within the meaning of section one of chapter fifty-one of the statutes of 1888, and that section shall apply accordingly, such first lien to be subject to the payment of the purchase money of the Alberta Branch, as provided for in the said covenant to purchase.

OTTAWA: Printed by SAMUEL EDWARD DAWSON, Law Printer to the Queen's most Excellent Majesty.

RAILWAY TRANSPORTATION COSTS

Statement furnished by Department of Finance showing subsidies paid to Canadian Pacific Railway under Crow's Nest Pass Agreement:—

Year.	Amount Paid.
1898..	\$ 453,750
1899..	2,322,500
1900..	340,000
1901..	205,524
1902..	22,946
1903..	60,000
Total..	\$3,404,720

STATEMENT No. 1.

(Furnished by the Board of Railway Commissioners).

STATEMENT SHOWING RATES FIRST ESTABLISHED AND SUBSEQUENT CHANGES ON GRAIN AND FLOUR FROM VARIOUS POINTS TO FORT WILLIAM AND PT. ARTHUR, ONT.

From	Crow's Nest rates																Column 10 in. cts. per bush.		Column 13 in. cts. per bush.		Column 16 in. cts. per bush.	
	Feb. 15	Sept. 16	Sept. 1	Oct. 1	Oct. 19	Dec. 4	Dec. 11	Sept. 5	Aug. 1	Sept. 1	Oct. 7	Mar. 15	Aug. 12	Sept. 13	Jan. 1	Dec. 1	Wheat	Oats	Wheat	Oats	Wheat	Oats
	1886	1886	1887	1888	1888	1890	1891	1893	1898	1899	1903	1918	1918	1920	1921	1921						
Winnipeg.....	28	28	24	21	21	21	21	17	15½	14	10	12	14	19	18	17	8.4	4.7	8.4	4.7	10.2	5.7
Portage la Prairie.....									16½	15	12	14	16	21½	21	19	9	5.1	9.6	5.4	11.4	6.4
Brandon.....	33	30	25	25	24	22	22	19	17½	16	13	15	17½	23½	23	21	9.6	5.4	10.5	5.9	12.6	7.1
Boissevain.....	36	31	26	25	24	22	22	20	18½	16	13	15	17½	23½	23	21	9.6	5.4	10.5	5.9	12.6	7.1
Souris.....									18½	17	14	16	18½	25	24	22	10.2	5.7	11.1	6.2	13.2	7.4
Virden.....									19½	18	15	17	19½	26½	25½	23½	10.8	6.1	11.7	6.6	14.1	7.9
Broadview.....	37½	32	28	28	28	28	28	21	19½	18	16	18	21½	29	28	26	10.8	6.1	12.9	7.3	15.6	8.8
Yorkton.....									20½	19	17	19	22½	30½	29½	27	11.4	6.4	13.5	7.6	16.2	9.1
Regina.....	40	33	30	30	30	30	29	23	21½	20	18	20	24	32½	31	29	12	6.8	14.4	8.1	17.4	9.8
Weyburn.....									21½	20	18	20	24	32½	31	29	12	6.8	14.4	8.1	17.4	9.8
Swift Current.....									23½	22	20	22	26	35	34	31	13.2	7.4	15.6	8.8	18.6	10.5
Maple Creek.....	51½	33	32	32	32	32	30	26	24½	23	21	23	27	36½	35	32½	13.8	7.8	16.2	9.1	19.5	11
Saskatoon.....									27½	26	24	24	28	38	36½	33½	15.6	8.8	16.8	9.5	20.1	11.3
Medicine Hat.....									25½	24	22	24	28	38	36½	33½	14.4	8.1	16.8	9.5	20.1	11.3
Lethbridge.....									26½	25	23	25	29	39	37½	35	15	8.5	17.4	9.8	21	11.9
Calgary.....	63	33	33	33	33	33	30	29	27½	26	24	26	30	40½	39	36	15.6	8.8	18	10.2	21.6	12.2
Edmonton.....									31½	30	28	27	30	40½	39	36	18	10.2	18	10.2	21.6	12.2
Column.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22

Columns 1 to 16 are rates in cents per 100 lbs.

RAILWAY TRANSPORTATION COSTS

STATEMENT No. 2.

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON AGRICULTURAL IMPLEMENTS, IN CARLOADS, FROM POINTS IN EASTERN CANADA TO VARIOUS STATIONS IN WESTERN CANADA.

	Rates prior to Crow's Nest Agreement		Crow's Nest Rates, Jan 1st, 1898		From all Stations Montreal and West						
	From Toronto Group	From Montreal Group	From Toronto Group	From Montreal Group	Sept. 1, 1914	April 1, 1918	Aug. 20, 1918	Sept. 1, 1919	Sept. 23, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	76	82	68½	74	62	68½	82½	67½	92½	89	82½
Portage la Prairie.....	82½	88½	74½	80	66	74½	87½	72½	99½	95½	88½
Brandon.....	89	95	80	85½	72	80	95	80	109½	105½	97½
Regina.....	107½	113½	97	102½	86	97	112½	102½	140	138½	128
Swift Current.....	118	124	106½	112	95	106½	124	114	155½	154	142½
Saskatoon.....	129½	135½	116½	122	94	104½	122½	112½	153½	151	139½
Lethbridge.....	134½	140½	121	126½	109	121	141½	131½	179	175½	162½
Medicine Hat.....	128	134	115½	121	104	115½	135	125	170	167	154½
Red Deer.....	156½	162½	141	146½	117	134	151½	140	190½	183½	169½
Calgary.....	139½	145½	125½	131	115	125½	149	137½	187	180	166½
Edmonton.....	164½	170½	148	153½	115	125½	149	137½	187	180	166½
Column.....	1	2	3	4	5	6	7	8	9	10	11

Rates are in cents per 100 lbs.

STATEMENT No. 3.

(Furnished by the Board of Railway Commissioners).

STATEMENT SHOWING RATES ON VARIOUS COMMODITIES, IN CARLOADS, FROM FORT WILLIAM AND PORT ARTHUR, ONT. TO VARIOUS STATIONS IN WESTERN CANADA

To	Agricultural Implements								Binder Twine and Cordage, Iron, Bar, Band, Canada Plate, Galvanized, Sheet, Pipe, Pipe Fittings, Nails, Spikes, Horse Shoes, Wire, Common Window Glass, Building and Roofing Paper, Roofing Felt, Paints and Woodenware.							
	Prior to Crow's Nest Agreement	Crow's Nest Rates Jan. 1, 1898	Sept. 1, 1914	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921	Prior to Crow's Nest Agreement	Crow's Nest Rates Jan. 1, 1898	Sept. 1, 1914	Mar. 1, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	45	40½	32	37	40	54	52	48	47	42½	38	43½	47½	64	62	57
Portage la Prairie.....	51½	46½	36½	42½	45	61½	58½	54	59	53	43	49½	54	73	70	65
Brandon.....	58	52	42	48½	52½	71	68½	63	66	59½	50	57½	62½	84½	81½	75
Regina.....	76½	69	56	64½	70	94½	91	84	89	80	65	75½	81½	110	106	98
Swift Current.....	87	78½	65	75	81½	110	106	98	99	89	76	87½	95	128½	123½	114
Saskatoon.....	98½	88½	64	73½	80	108	104	96	116	104½	74	85	92½	125	120½	111
Lethbridge.....	103½	93	79	91	99	133½	128½	119	115	103½	90	103½	112½	152	146½	135
Medicine Hat.....	97	87½	74	85	92½	125	120½	111	110	99	84	96½	105	142	136½	126
Red Deer.....	125½	113	87	100	109	147	141½	131	140	126	97	111½	121½	164	158	146
Calgary.....	108½	97½	85	98	106½	144	138½	128	120	108	95	109½	119	160½	154½	143
Edmonton.....	133½	120	85	98	106½	144	138½	128	150	135	95	109½	119	160½	154½	143
Column.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Rates are in cents per 100 lbs.

SPECIAL COMMITTEE

STATEMENT No. 4.

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON BINDER TWINE AND CORDAGE, IRON, BAR, BAND, CANADA PLATE, GALVANIZED, SHEET, PIPE, PIPE FITTINGS, NAILS, SPIKES, HORSE SHOES, WIRE, COMMON WINDOW GLASS, BUILDING AND ROOFING PAPER, ROOFING FELT, PAINTS AND WOODENWARE, IN CARLOADS, FROM POINTS IN EASTERN CANADA TO VARIOUS STATIONS IN WESTERN CANADA.

	Rates prior to Crow's Nest Agreement		Crow's Nest Rates Jan. 1st, 1898		From all Stations Montreal and West					
	From Toronto Group	From Montreal Group	From Toronto Group	From Montreal Group	Sept. 1, 1914	April 1, 1918	Aug. 15, 1918	Sept. 17, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	82	88	74	79½	69	74	93	127½	123½	114
Portage la Prairie.....	94	100	84½	90	74	84½	99½	136½	131½	122
Brandon.....	101	107	91	96½	81	91	108	148	143	132
Regina.....	124	130	111½	117	96	111½	127	173½	167½	155
Swift Current.....	134	140	120½	126	107	120½	140½	192	185	171
Saskatoon.....	151	157	136	141½	105	119	138	188½	182	168
Lethbridge.....	150	156	135	140½	121	135	158	215½	208	192
Medicine Hat.....	145	151	130½	136	115	130½	150½	205½	198	183
Red Deer.....	175	181	157½	163	128	148	167	227½	219½	203
Calgary.....	155	161	139½	145	126	139½	164½	224	216	200
Edmonton.....	185	191	166½	172	126	139½	164½	224	216	200
Column.....	1	2	3	4	5	6	7	8	9	10

Rates are in cents per 100 lbs.

STATEMENT No. 5.

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL OIL, IN BARRELS, CARLOADS, FROM POINTS IN EASTERN CANADA, TO VARIOUS STATIONS IN WESTERN CANADA

	Rates prior to Crow's Nest Agreement		Crow's Nest Rates, Jan. 1st, 1898		From all Stations Montreal and West					
	From Toronto Group	From Montreal Group	From Toronto Group	From Montreal Group	Sept. 1, 1914	April 1, 1918	Aug. 20, 1918	Sept. 23, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	82	88	65½	70½	64	65½	82	113	109	101
Portage la Prairie.....	94	100	75	80	74	75	94	129	124½	115
Brandon.....	101	107	81	86	80	81	101½	139	134½	124
Regina.....	124	130	99	104	96	99	124	169½	163½	151
Swift Current.....	134	140	107	112	107	107	134	183	176½	163
Saskatoon.....	151	157	121	126	105	105½	132	180½	174	161
Lethbridge.....	150	156	120	125	120	120	150	204½	197½	182½
Medicine Hat.....	145	151	116	121	115	116	145	198	191	176½
Red Deer.....	175	181	140	145	128	135	167	227½	219½	203
Calgary.....	155	161	124	129	124	124	155	211½	204	188½
Edmonton.....	185	191	148	153	124	124	155	211½	204	188½
Column.....	1	2	3	4	5	6	7	8	9	10

Rates are in cents per 100 lbs.

STATEMENT No. 6

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL OIL, IN BARRELS, IN CARLOADS, FROM FORT WILLIAM AND PORT ARTHUR, ONT. TO VARIOUS STATIONS IN WESTERN CANADA

To	Prior to Crow's Nest Agreement	Crow's Nest Rates, Jan. 1st, 1898	Sept. 1, 1914	March 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	47	37½	33	38	41½	56	54	50
Portage la Prairie.....	59	47	43	47	54	73	70	65
Brandon.....	66	53	49	53	61½	83	80	74
Regina.....	89	71	65	71	81½	110	106	98
Swift Current.....	99	79	76	79	95	128½	123½	114
Saskatoon.....	116	93	74	77½	92½	125	120½	111
Lethbridge.....	115	92	90	92	112½	152	146½	135
Medicine Hat.....	110	88	84	88	105	142	136½	126
Red Deer.....	140	112	97	98½	121½	164	158	146
Calgary.....	120	96	95	96	119	160½	154½	143
Edmonton.....	150	120	95	96	119	160½	154½	143
Columns.....	1	2	3	4	5	6	7	8

¹Rates are in cents per 100 lbs.

STATEMENT No. 7

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON GREEN APPLES, IN CARLOADS, FROM EASTERN CANADA TO VARIOUS STATIONS IN WESTERN CANADA

To	FROM TORONTO GROUP POINTS								FROM MONTREAL GROUP POINTS							
	Prior to Crow's Nest Rates	Crow's Nest Rates, Jan. 1, 1898	Sept. 1, 1914	April 1, 1918	Aug. 20, 1918	Sept. 23, 1920	Jan. 1, 1921	Dec. 1, 1921	Prior to Crow's Nest Rates	Crow's Nest Rates, Jan. 1, 1898	Sept. 1, 1914	April 1, 1918	Aug. 20, 1918	Sept. 23, 1920	Jan. 1, 1921	Dec. 1, 1921
Winnipeg.....	82	55	53	55	69	95	92	85	88	59	57	59	74	102	98½	91
Portage la Prairie.....	94	63	63	63	79	108½	105	97	100	67	67	67	84	115½	111½	103
Brandon.....	101	67½	68	67½	84½	116	112	104	107	71½	72	71½	89½	123	118½	110
Regina.....	124	83	83	83	104	142½	137½	127	130	87	87	87	109	149	144	133
Swift Current.....	134	89½	90	89½	112	153½	148	137	140	93½	94	93½	117	160	154½	143
Saskatoon.....	151	101	89	88	110	150½	145½	134½	157	105	93	92	115	157½	152	140½
Lethbridge.....	150	100	100	100	125	171	165	152½	156	104	104	104	130	177½	171½	158½
Medicine Hat.....	145	97	96	97	121½	166	160½	148	151	101	101	101	126½	173	167	154
Red Deer.....	175	117	107	108½	135½	185	178½	165	181	121	107	113	141½	193	186½	171
Calgary.....	155	103½	104	103½	129½	177	170½	158	161	107½	108	107½	134½	183½	177	164
Edmonton.....	185	123½	104	103½	129½	177	170½	158	191	127½	108	107½	134½	183½	177	164
Columns.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Rates are in cents per 100 lbs.

STATEMENT No. 8

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON APPLES, CARLOADS, FROM OKANAGAN TERRITORY IN BRITISH COLUMBIA, TO VARIOUS STATIONS IN WESTERN CANADA

To	July 10th, 1915	March 15th, 1918	Aug. 12th, 1918	Sept. 13th, 1920	Jan. 1st, 1921	Dec. 1st, 1921
Calgary.....	58	66½	72½	98	94½	87
Edmonton.....	67	77	84	113½	109	101
Medicine Hat.....	67	77	84	113½	109	101
Regina.....	75	86½	94	127	122	113
Saskatoon.....	75	86½	94	127	122	113
Brandon.....	75	86½	94	127	122	113
Winnipeg.....	75	86½	94	127	122	113
Columns.....	1	2	3	4	5	6

Rates are in cents per 100 lbs.

STATEMENT No. 9

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON POTATOES, IN CARLOADS, FROM DEBEC, HARTLAND, ANDOVER AND FLORENCEVILLE, N.B., TO VARIOUS POINTS

To	June 7th, 1917	Mar. 15th, 1918	Aug. 12th, 1918	Sept. 13th, 1920	Jan. 1st, 1921	Dec. 1st, 1921
Sherbrooke.....	18	20½	25½	35½	34½	32
Montreal.....	19	22	27½	38½	37	34½
Brockville.....	21	24	30	42	40½	37½
Ottawa.....	21	24	30	42	40½	37½
Kingston.....	22	25½	32	45	43	40
Peterboro.....	24	27½	34½	48½	46½	43
Toronto.....	25	29	36½	51	49½	45½
North Bay.....	27	31	39	54½	52½	49
Hamilton.....	26	30	37½	52½	50½	47
London.....	29	33½	42	59	56½	52½
Goderich.....	30	34½	43	60	58	54
Windsor.....	31	35½	44½	62½	60	55½
Columns.....	1	2	3	4	5	6

Rates are in cents per 100 lbs.

STATEMENT No. 10.

(Furnished by the Board of Railway Commissioners.)

STATEMENT SHOWING RATES ON IRON AND STEEL ARTICLES NAMED BELOW, IN STRAIGHT ROLLED CARLOADS

Angle bars (for track laying purposes).
 Angle iron.
 Bale ties.
 Boiler tubes (iron).
 Bolts.

Bridge and structural iron or steel, consisting of: Rivetted girders, rolled girders, columns, cast iron columns, cast iron column bases, plates (plain checkered or trough), bearing plates, bracing rods, tie bars, "Z" bars, round bars, eye bars, concrete reinforcement bars, rolled flat bars, rolled eye bars, bolts, trusses, beams, "H" beams, "I" beams rivets, nuts, channels, angles, tees, piling and zeels.

Canada plate.
 Castor pins (iron).
 Coil chain, not polished or further finished than manufactured into lengths.
 Fish plates.
 Horse shoes.
 Horse shoe calks.
 Iron and steel (bar, band, boiler and sheet), not applicable on cold rolled or drawn steel or shafting.
 Iron (galvanized or corrugated).
 Nails (iron or wire).
 Nuts.
 Pig (iron).

Pipe fittings (iron, exclusive of valves).
 Rivets (iron).
 Screws (iron).
 Spikes.
 Staples (iron or steel).
 Tacks (iron or steel).
 Tee iron.
 Tin plate.
 Tubing, seamless steel.
 Washers.
 Wire (iron or steel), barb, coppered, fence, galvanized, strand, telegraph or tinned.
 Wire barrel hoops.
 Wire rope or cable (in coils or on reels).

To	From Montreal						From Toronto						From Hamilton					
	Nov. 6, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921	Nov. 6, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept., 1920	Jan. 1, 1921	Dec. 1, 1921	Nov. 6, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept., 1920	Jan. 1, 1921	Dec. 1, 1921
Windsor.....	23	26½	33	46	44½	41½	17½	20	25	35	34	31½	16½	19	24	33½	32½	30
London.....	22	25½	32	45	43	40	16	18½	23	32	31	29	13½	15½	19½	27½	26½	24½
Hamilton.....	19½	22½	28	39	38	35	8½	10	12½	17½	17	15½						
Toronto.....	18½	21½	27	38	36½	34							8½	10	12½	17½	17	15½
Owen Sound.....	28	32	40	56	54	50	17	19½	24½	34½	33	30½	17½	20	25	35	34	31½
Kingston.....	15½	18	22½	31½	30½	28	16½	19½	24	33½	32½	30	17½	20	25	35	34	31½
Ottawa.....	11½	13	16½	23	22½	20½	18½	21½	27	38	36½	34	19½	22½	28	39	38	35
Montreal.....							18½	21½	27	38	36½	34	19½	22½	28	39	38	35
Column.....	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18

Rates are in cents per 100 lbs.

SPECIAL COMMITTEE

STATEMENT No. 11

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON CATTLE, SHEEP AND HOGS, IN CARLOADS, BETWEEN VARIOUS POINTS IN WESTERN CANADA

From	To Calgary						To Winnipeg					
	Sept. 1, 1914	May 10, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921	Sept. 1, 1914	May 10, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921
Macleod.....	15	17½	19	25½	24½	19	43	49½	50	67½	65	50
Lethbridge.....	16	18½	20	27	26	20	43	49½	50	67½	65	50
Cardston.....	19	22	24	32½	31	24	44	50½	51	69	66½	51
Red Deer.....	14	16	17½	23½	23	17½	46	53	53	71½	69	53
Stettler.....	17½	20	22	29½	28½	22	43½	50	50½	68	65½	50½
Coronation.....	21	24	26½	36	34½	25½	42	48½	49	66	63½	49
Wilkie.....	28	32	35	47½	45½	35	37	42½	44	59½	57	44
Yorkton.....	39	45	46	62	60	46	23	26½	29	39	37½	29
Mortlach.....	29	33	35½	48	46	35½	30	34½	37	50	48	37
Broadview.....							23	26½	29	39	37½	29
Virden.....							19	22	24	32½	31	24
Carberry.....							15	17½	19	25½	24½	19
Deloraine.....							20	22½	24½	33	32	24½
Portage la Prairie.....							10	11½	12½	17	16½	12½
Column.....	1	2	3	4	5	6	7	8	9	10	11	12

Rates are in cents per 100 lbs.

STATEMENT No. 12

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON CATTLE, SHEEP AND HOGS, IN CARLOADS, BETWEEN VARIOUS POINTS IN EASTERN CANADA

From	To Montreal						To Toronto					
	Oct. 1, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921	Oct. 1, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921
Windsor.....	26	30½	37½	52½	50	37	16	18½	23	32	31	23
Chatham.....	25	29	36	50½	48½	36	15	17½	22	31	29½	22
London.....	24	27½	34½	48½	46½	34½	13	15	19	26½	25½	19
Wingham.....	24	27½	34½	48½	46½	34½	13	15	19	26½	25½	19
Listowel.....	23	26½	33	46	44½	33	12	14	17½	24½	23½	17½
North Bay.....	21	24	30	42	40½	30	16	18½	23	32	31	23
Lindsay.....	19	22	27½	38½	37	27½	10	11½	14½	20½	19½	14½
Drumbo.....	22	25½	32	45	43	32	11	12½	15½	21½	21	15½
Renfrew.....	14	16	20	28	27	20	16	18½	23	32	31	23
Pembroke.....	15	17½	22	31	29½	22	18	20½	25½	35½	34	25½
Kemptville.....	13	15	19	26½	25½	19	17	19½	24½	34½	33	24½
Brockville.....	14	16	20	28	27	20	16	18½	23	32	31	23
Winchester.....	12	14	17½	24½	23½	17½	17	19½	24½	34½	33	24½
Column.....	1	2	3	4	5	6	7	8	9	10	11	12

Rates are in cents per 100 lbs.

STATEMENT No. 13

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON CATTLE, SHEEP AND HOGS, IN CARLOADS, FROM VARIOUS STATIONS IN WESTERN CANADA, TO POINTS IN EASTERN CANADA, MONTREAL AND WEST THEREOF

From	Sept. 1, 1914	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Aug. 15, 1921
Macleod.....	90	103½	108½	148½	143	114½
Calgary.....	90	103½	108½	148½	143	114½
Lethbridge.....	90	103½	108½	148½	143	114½
Edmonton.....	94	103½	108½	148½	143	114½
Wetaskiwin.....	94	103½	108½	148½	143	114½
Stettler.....	93	103½	108½	148½	143	114½
Coronation.....	90	103½	108½	148½	143	114½
Wilkie.....	89	102½	107½	147	142	113½
Saskatoon.....	88	101	106½	146	140½	112½
Yorkton.....	77	88½	95½	131	126	101
Maple Creek.....	88	101	106½	146	140½	112½
Moosejaw.....	87	99	104½	143	138	110½
Broadview.....	75	86½	93½	128	123½	99
Brandon.....	64½	74	83	114	110	88
Portage la Prairie.....	62½	72	81	111½	107½	86
Winnipeg.....	60½	69½	79	108½	105	85
Column.....	1	2	3	4	5	6

Rates are in cents per 100 lbs.

RAILWAY TRANSPORTATION COSTS

29

STATEMENT No. 14

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES BETWEEN POINTS IN MANITOBA, SASKATCHEWAN AND ALBERTA ON BUILDING AND PAVING MATERIAL CONSISTING OF:—

- Brick (except enamelled, fire or glazed), building, paving, pressed or hollow.
- Sand, moulding.
- Blocks, asphalt paving.
- Drain tile, farm.
- Fireproofing, concrete, plaster or terra cotta (not architectural or ornamental).
- Flue lining.
- Tile, hollow building.
- Wall, coping, clay.

Distances in Miles		Jan. 1, 1917	March 15, 1918	Aug. 16, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921
over	not over						
	5.....	2	2½	4	5½	5	5
5	10.....	2¾	3	5	7	6½	6
10	25.....	3	3½	5	7	6½	6
25	40.....	4	4½	6	8	8	7
40	50.....	4½	5	6½	9	8½	8
50	60.....	4¾	5½	7	9½	9	8½
60	70.....	5	6	7	9½	9	8½
70	80.....	5½	6	7½	10	10	9
80	100.....	5½	6½	7½	10	10	9
100	120.....	6	7	8	11	10½	9½
120	140.....	6½	7½	8½	11½	11	10
140	160.....	7	8	9	12	11½	11
160	180.....	7½	8½	9½	13	12½	11½
180	200.....	8	9	10	13½	13	12
200	225.....	8½	10	10½	14	13½	12½
225	250.....	9	10½	11	15	14½	13
250	275.....	9½	10½	11½	15½	15	14
275	300.....	9½	11	11½	15½	15	14
300	350.....	10	11½	12	16	15½	14½
350	400.....	11	12½	13	17½	17	15½
400	450.....	12	14	14	19	18	17
450	500.....	13	15	15	20½	19½	18
Col. 1	2	3	4	5	6	7	8

Rates are in cents per 100 pounds.

SPECIAL COMMITTEE

STATEMENT No. 15

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES BETWEEN POINTS IN EASTERN CANADA ON BUILDING MATERIAL IN CARLOADS, CONSISTING OF.—

- Blocks, building (concrete).
- Blocks, paving (asphalt or stone).
- Brick, building (except enamelled or glazed).
- Fire brick.
- Fire clay, nozzles or sleeves.
- Hollow brick (fireproofing), not glazed or enamelled.
- Blocks, sewer (vitrified sedgment).
- Stone, rough or partly dressed, not sawn, carved, lettered, traced or polished.

Distances in Miles		Oct. 25, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921
over	not over						
	10	3	3½	5½	7½	7½	7
10	20	3½	4	6	8½	8	7½
20	30	4	4½	6½	9	9	8
30	40	4½	5	7	10	9½	9
40	50	5	6	8	11	11	10
50	60	5½	6½	8½	12	11½	10½
60	70	6	7	9	12½	12	11½
70	80	6½	7½	9½	13½	13	12
80	90	7	8	10	14	13½	12½
90	100	7½	8½	10½	14½	14	13
100	125	8	9	11	15½	15	14
125	150	8½	10	12	17	16	15
150	175	9	10½	12½	17½	17	15½
175	200	9½	11	13	18	17½	16½
200	225	10	11½	13½	19	18	17
225	250	10½	12	14	19½	19	17½
250	275	11	12½	14½	20½	19½	18
275	300	11½	13	15	21	20½	19
300	350	12½	14½	16½	23	22½	20½
350	400	13½	15½	17½	24½	23½	22
400	450	14½	16½	18½	26	25	23
450	500	15½	18	20	28	27	25
Col. 1	2	3	4	5	6	7	8

Rates are in cents per 100 pounds.

STATEMENT No. 16

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON LUMBER AND FOREST PRODUCTS IN CARLOADS, FROM BRITISH COLUMBIA POINTS TO VARIOUS STATIONS IN EASTERN CANADA

To	1910		April 12, 1918		July 25, 1918		Aug. 19, 1918		Sept. 16, 1920		Jan. 1, 1921		April 21, 1921		Dec. 27, 1921	
	From Coast Points	From Nelson Points														
Toronto and Points taking same rates.....	67	60	71.7	67	74	67	79	72	106½	98½	103½	94½	90	81	88½	81
Montreal and Points taking same rates.....	70	63	75	70½	77½	70½	80	75½	106½	103	106½	99½	95	88	90	87
Column.....	1	2	3	4	6	7	8	9	10	11	12	13	14	15	15	16

Rates are in cents per 100 pounds.

SPECIAL COMMITTEE

STATEMENT No. 17

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON LUMBER AND FOREST PRODUCTS, IN CARLOADS, FROM BRITISH COLUMBIA POINTS TO VARIOUS STATIONS IN WESTERN CANADA

To	1905		April 12, 1918		Aug. 12, 1918		Sept. 13, 1920		Jan. 1, 1921		Dec. 1, 1921	
	From Coast Points	From Nelson Points										
Calgary.....	36½	20½	39½	23½	44½	28½	60	38½	58	37	53½	34
Swift Current...	40	25	43	28	48	33	65	44½	62½	43	57½	39½
Regina.....	40	30	44	34	49	39	66	52½	63½	50½	59	47
Saskatoon.....	40	33	44	37	49	42	66	56½	63½	54	59	50½
Winnipeg.....	40	33	45	38	50	43	67½	58	65	56	60	51½
Fort William....	45	40	50	45	55	50	74½	67½	71½	65	66	60
Column.....	1	2	3	4	5	6	7	8	9	10	11	12

Rates are in cents per 100 lbs.

STATEMENT No. 18

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON LUMBER AND FOREST PRODUCTS, IN CARLOADS BETWEEN POINTS IN EASTERN CANADA

Distance in Miles		May 1, 1908	Dec. 1, 1916	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	Jan. 1, 1921	Dec. 1, 1921
over	not over							
	5.....	3	3	3½	5	7	7	6½
5	10.....	3½	3½	4	5½	7½	7½	7
10	20.....	4	4	4½	6½	9	9	8
20	30.....	4½	5	6	7½	10½	10	9½
30	40.....	5	5½	6½	8	11	11	10
40	50.....	5	5½	6½	8	11	11	10
50	60.....	5½	6	7	9	12½	12	11½
60	70.....	6	6½	7½	9½	13½	13	12
70	80.....	6½	7	8	10	14	13½	12½
80	90.....	7	7½	8½	10½	14½	14	13
90	100.....	7½	8	9	11½	16	15½	14½
100	125.....	8	8½	10	12	17	16	15
125	150.....	8½	9	10½	12½	17½	17	15½
150	175.....	9	9½	11	13	18	17½	16½
175	200.....	9½	10	11½	14	19½	19	17½
200	225.....	10	10½	12	14½	20½	19½	18
225	250.....	10½	11	12½	15	21½	20½	19
250	275.....	11	11½	13	15½	21½	21	19½
275	300.....	11½	12	14	16½	23	22½	20½
300	325.....	12	12½	14½	17	24	23	21½
325	350.....	12	12½	14½	17	24	23	21½
350	375.....	12½	13	15	17½	24½	23½	22
375	400.....	12½	13	15	17½	24½	23½	22
400	425.....	13	13½	15½	18	25	24½	22½
425	450.....	13	13½	15½	18	25	24½	22½
450	475.....	13½	14	16	19	26½	25½	24
475	500.....	13½	14	16	19	26½	25½	24
500	550.....	14	14½	16½	19½	27½	26½	24½
550	600.....	15	15½	18	20½	28½	27½	25½
600	650.....	16	17	19½	22½	31½	30½	28
650	700.....	17	18	20½	24	33½	32½	30
700	750.....	18	19	22	25	35	34	31½
750	800.....	19	20	23	26	36½	35	32½
800	850.....	20	21	24	27	38	36½	34
850	900.....	21	22	25½	28	39	38	35
900	950.....	22	23	26½	29	40½	39	36½
950	1,000.....	23	24	27½	30	42	40½	37½
Col. 1	2	3	4	5	6	7	8	9

Rates are in cents per 100 lbs.

STATEMENT No. 19

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, BETWEEN VARIOUS POINTS IN EASTERN CANADA

To	From Prescott										To	From Niagara Frontier							
	Nov. 20, 1916		Mar 21, 1918		Aug. 12, 1918		Sept. 13, 1920		Dec. 24, 1921			Sept. 15, 1916		Mar. 15, 1918		Aug. 13, 1918		Sept. 13, 1920	
	A	B	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B
Smiths Falls.....	69	69	84	84	110	110	125	125	125	125	Hamilton.....	55	55	70	70	90	90	105	105
Perth.....	92	92	107	107	140	140	155	155	155	155	Toronto.....	66	66	81	81	100	100	115	115
Ottawa.....	83	72	98	87	120	110	135	125	139	141	Galt.....	88	88	103	103	130	130	145	145
Renfrew.....	112	112	127	127	160	160	180	180	180	205	Guelph.....	99	99	114	114	140	140	155	155
Pembroke.....	141	146	156	161	190	190	210	210	210	224	Woodstock.....	99	99	114	114	150	140	165	155
											Peterboro.....	130	130	145	145	180	180	200	200
											Parry Sound.....	185	185	200	200	240	240	260	260

A—Anthracite Coal. B—Bituminous Coal.

Rates are in cents per gross ton.

A—Anthracite Coal. B—Bituminous Coal.

Rates are in cents per ton (See Note).

NOTE.—To Hamilton and Woodstock rates are, on Anthracite, per gross ton; on Bituminous, per net ton. All other rates per net ton for both anthracite and bituminous.

STATEMENT No. 20

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, FROM LETHBRIDGE, ATLA., TO VARIOUS POINTS IN WESTERN CANADA

To	March 12, 1912	Sept. 1, 1914	March 15, 1918	Aug. 12, 1918	Sept. 13, 1920
Maple Creek.....	205	160	175	210	230
Swift Current.....	240	200	215	260	270
Moosejaw.....	295	240	255	300	320
Broadview.....	355	300	315	370	380
Brandon.....	420	350	365	420	440
Winnipeg.....	445	410	425	480	500
Column.....	1	2	3	4	5

Rates are in cents per net ton.

STATEMENT No. 19

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, BETWEEN VARIOUS POINTS IN EASTERN CANADA

To	From Prescott										To	From Niagara Frontier							
	Nov. 20, 1916		Mar 21, 1918		Aug. 12, 1918		Sept. 13, 1920		Dec. 24, 1921			Sept. 15, 1916		Mar. 15, 1918		Aug. 13, 1918		Sept. 13, 1920	
	A	B	A	B	A	B	A	B	A	B		A	B	A	B	A	B	A	B
Smiths Falls.....	69	69	84	84	110	110	125	125	125	125	Hamilton.....	55	55	70	70	90	90	105	105
Perth.....	92	92	107	107	140	140	155	155	155	155	Toronto.....	66	66	81	81	100	100	115	115
Ottawa.....	83	72	98	87	120	110	135	125	139	141	Galt.....	88	88	103	103	130	130	145	145
Renfrew.....	112	112	127	127	160	160	180	180	180	205	Guelph.....	99	99	114	114	140	140	155	155
Pembroke.....	141	146	156	161	190	190	210	210	210	224	Woodstock.....	99	99	114	114	150	140	165	155
											Peterboro.....	130	130	145	145	180	180	200	200
											Parry Sound.....	185	185	200	200	240	240	260	260

A—Anthracite Coal. B—Bituminous Coal.

Rates are in cents per gross ton.

A—Anthracite Coal. B—Bituminous Coal.

Rates are in cents per ton (See Note).

NOTE.—To Hamilton and Woodstock rates are, on Anthracite, per gross ton; on Bituminous, per net ton. All other rates per net ton for both anthracite and bituminous.

STATEMENT No. 20

(Furnished by the Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, FROM LETHBRIDGE, ATLA., TO VARIOUS POINTS IN WESTERN CANADA

To	March 12, 1912	Sept. 1, 1914	March 15, 1918	Aug. 12, 1918	Sept. 13, 1920
Maple Creek.....	205	160	175	210	230
Swift Current.....	240	200	215	260	270
Moosejaw.....	295	240	255	300	320
Broadview.....	355	300	315	370	380
Brandon.....	420	350	365	420	440
Winnipeg.....	445	410	425	480	500
Column.....	1	2	3	4	5

Rates are in cents per net ton.

RAILWAY TRANSPORTATION COSTS

35

STATEMENT No. 21

(Furnished by Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, BETWEEN VARIOUS POINTS IN EASTERN CANADA

To	From Springhill Junction				From Sydney Mines				From Stellarton			
	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920
Truro.....	90	105	140	155	150	165	200	220	80	95	120	135
Mulgrave.....	140	155	190	210	110	125	160	180	100	115	150	165
Newcastle.....	120	135	170	190	210	225	270	290	160	175	210	230
Matapedia.....	170	170	200	220	250	250	290	310	190	190	220	240
Woodstock.....	170	185	220	240	250	265	310	330	190	205	250	270
Fredericton.....	140	155	190	210	230	245	290	310	180	195	230	250
Edmunston.....	180	195	230	250	250	265	310	330	200	215	260	280
Mont Joli.....	190	190	220	240	270	270	310	330	215	215	260	280
St. Hyacinthe..	290	290	330	350	400	400	450	470	320	320	370	390
Quebec.....	260	260	300	320	365	365	420	440	300	300	350	370
Montreal.....	305	305	360	380	400	400	450	470	340	340	390	410
Column.....	1	2	3	4	5	6	7	8	9	10	11	12

Rates are in cents per net ton.

RAILWAY TRANSPORTATION COSTS

Statement No. 12

Presented to Board of Railway Commissioners

STATEMENT SHOWING RATES ON TONNAGE BETWEEN VARIOUS POINTS IN CANADA

To	Year ending 31st Dec 1917			Year ending 31st Dec 1916			Year ending 31st Dec 1915			Year ending 31st Dec 1914		
	1917	1916	1915	1916	1915	1914	1915	1914	1913	1914	1913	
Calgary.....	305	305	305	300	300	300	300	300	300	300	300	
Montreal.....	305	305	305	300	300	300	300	300	300	300	300	
Ottawa.....	300	300	300	295	295	295	295	295	295	295	295	
St. John's.....	300	300	300	295	295	295	295	295	295	295	295	
Halifax.....	190	190	190	185	185	185	185	185	185	185	185	
Edmonton.....	185	185	185	180	180	180	180	180	180	180	180	
Regina.....	180	180	180	175	175	175	175	175	175	175	175	
Winnipeg.....	175	175	175	170	170	170	170	170	170	170	170	
Saskatoon.....	170	170	170	165	165	165	165	165	165	165	165	
Brandon.....	165	165	165	160	160	160	160	160	160	160	160	
Manitoba.....	160	160	160	155	155	155	155	155	155	155	155	
Victoria.....	155	155	155	150	150	150	150	150	150	150	150	
Seattle.....	150	150	150	145	145	145	145	145	145	145	145	
Portland.....	145	145	145	140	140	140	140	140	140	140	140	
San Francisco.....	140	140	140	135	135	135	135	135	135	135	135	
Los Angeles.....	135	135	135	130	130	130	130	130	130	130	130	
San Diego.....	130	130	130	125	125	125	125	125	125	125	125	
San Jose.....	125	125	125	120	120	120	120	120	120	120	120	
Portland, Ore.....	120	120	120	115	115	115	115	115	115	115	115	
Seattle, Wash.....	115	115	115	110	110	110	110	110	110	110	110	
Portland, Me.....	110	110	110	105	105	105	105	105	105	105	105	
Boston.....	105	105	105	100	100	100	100	100	100	100	100	
New York.....	100	100	100	95	95	95	95	95	95	95	95	
Philadelphia.....	95	95	95	90	90	90	90	90	90	90	90	
Washington.....	90	90	90	85	85	85	85	85	85	85	85	
Chicago.....	85	85	85	80	80	80	80	80	80	80	80	
St. Louis.....	80	80	80	75	75	75	75	75	75	75	75	
Indianapolis.....	75	75	75	70	70	70	70	70	70	70	70	
Columbus.....	70	70	70	65	65	65	65	65	65	65	65	

Rates are in cents per ton.

RAILWAY TRANSPORTATION COSTS

35

STATEMENT No. 21

(Furnished by Board of Railway Commissioners)

STATEMENT SHOWING RATES ON COAL, IN CARLOADS, BETWEEN VARIOUS POINTS IN EASTERN CANADA

To	From Springhill Junction				From Sydney Mines				From Stellarton			
	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920	1917	Mar. 15, 1918	Aug. 12, 1918	Sept. 13, 1920
Truro.....	90	105	140	155	150	165	200	220	80	95	120	135
Mulgrave.....	140	155	190	210	110	125	160	180	100	115	150	165
Newcastle.....	120	135	170	190	210	225	270	290	160	175	210	230
Matapedia.....	170	170	200	220	250	250	290	310	190	190	220	240
Woodstock.....	170	185	220	240	250	265	310	330	190	205	250	270
Fredericton.....	140	155	190	210	230	245	290	310	180	195	230	250
Edmunston.....	180	195	230	250	250	265	310	330	200	215	260	280
Mont Joli.....	190	190	220	240	270	270	310	330	215	215	260	280
St. Hyacinthe..	290	290	330	350	400	400	450	470	320	320	370	390
Quebec.....	260	260	300	320	365	365	420	440	300	300	350	370
Montreal.....	305	305	360	380	400	400	450	470	340	340	390	410
Column.....	1	2	3	4	5	6	7	8	9	10	11	12

Rates are in cents per net ton.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 2—FRIDAY, MAY 19, 1922

NAMES OF WITNESSES

Mr. Beatty, President, Canadian Pacific Railway.

Mr. Lanigan, General Freight Agent, Canadian Pacific Railway.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 424,

HOUSE OF COMMONS,

FRIDAY, May 19, 1922.

The Select Special Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Gentlemen we will commence our proceedings this morning. Since last we met when the sub-committee reported, there has been distributed to the members of the House of Commons and Senate No. 1 of our proceedings, and you will have found before this at the back of the proceedings the information which it was agreed would be printed before the first meeting of the Committee. You will find there first a copy of the Act authorizing the payment of a subsidy for the Crowsnest pass railway which is printed in full. Next, you will find a statement of the amounts and dates of payment of this subsidy to the Canadian Pacific Railway Company. Then will follow some 21 statements, I think, prepared by the Railway Commission, and I should like to acknowledge their courtesy and promptness in furnishing the Committee with these statements. The Manitoba agreement, so called, is not so far printed; largely because it was not available to us. The statute itself was, but there was very little in that that would be of information to the Committee. The important matter was the Order in Council passed by the Governor in Council of Manitoba under that statute; but it was not available at Ottawa. I have telegraphed for it to Winnipeg, and it will be here shortly. In the meanwhile, I think we can very well proceed without it. In a few moments there will be a map placed on the wall. We will close at ten minutes to one o'clock in order to make arrangements for our next meeting and to discuss what further witnesses will be heard. Mr. Beatty, president of the C.P.R., is present this morning upon request. I assume that he has read the order of reference as published in the proceedings, and that when he comes to make his statement it shall be relative to that, in so far as he can make it. I should like to ask the Committee to allow Mr. Beatty to make a continuous statement, and that all questions be reserved, so far as possible. I do not mean to say that that must be rigidly observed, but if possible I should like it until his statement is concluded when there will be ample opportunity to ask him questions. When we reach the stage when the members of the Committee desire to ask questions, I hope we will agree that the same questions do not be asked more than once. I will try to prevent it myself, and I hope I will have your backing to prevent a duplication of questions. I shall now call upon Mr. Beatty.

Mr. ARCHAMBAULT: What is the exact date of the Order in Council of 1918 suspending the Crowsnest pass agreement?

The CHAIRMAN: The first Order in Council suspending the Crowsnest pass agreement was dated July 27, 1918.

E. W. BEATTY called and sworn.

The WITNESS: Mr. Chairman, and members of the Committee, in compliance with the directions of the Chairman, and I presume the instructions of the Committee, I have reduced what I have to say to the form of a memorandum. It is a connected statement, and I think that giving it to you in this form will probably shorten

[Mr. Beatty.]

the proceedings and give the information in a more concrete and quicker way than I could if I had simply to answer questions. (Reads)

"The Canadian Pacific Railway received a subsidy of \$3,381,000 in 1897 for the construction of a railway through the Crow'snest pass into southern British Columbia. The total cost of the railways constructed to carry out the bargain was \$19,000,000 odd and in consequence of this subsidy rates were imposed involving reductions in the following commodities westbound from Fort William and points east to all points west of Fort William on the company's main line or on any line of railway throughout Canada owned or leased or operated on account of the company:

Upon all green and fresh fruits	33 $\frac{1}{3}$	per cent
Coal oil	20	"
Cordage and binder twine	10	"
Agricultural implements of all kinds, set up or in parts	10	"
Iron, including bar, band, Canada plates, galvanized, sheet, pipe, pipe-fittings, nails, spikes and horse-shoes	10	"
All kinds of wire	10	"
Window glass	10	"
Paper for building and roofing purposes	10	"
Roofing felt, box and packing	10	"
Paints of all kinds and oils	10	"
Live stock	10	"
Wooden ware	10	"
Household furniture	10	"

"The statute further provided that there should be a reduction in the company's then existing rates and tolls on grain and flour from all points on its main line, branches and connections west of Fort William to Fort William and Port Arthur and all points east, of three cents per one hundred pounds."

In order to take the Committee back for a moment to the conditions which prevailed at the time the Government and ourselves made that agreement, we have had extracted from the company's records the daily compensation paid to our men at that time and the cost of the principal commodities entering into railway operation.

"The daily compensation of the principal classes of employees in 1898 when the rates were effective was as undermentioned: (For the purpose of comparison the rates paid in 1922 for the same classes of employees and the percentage of increase is given.)"

The employees are divided into different headings—Train Service, Maintenance of Way, Station Employees, Truckers and Porters, Mechanical Shops, etc. I should not perhaps bother you for the moment with all of the rates. I will give you a few examples of the principal changes. Locomotive engineers were paid in 1898 32.9 cents per hour; they were paid in 1922 \$6.08 per day or .76 cents per hour, an increase of 131 per cent. Firemen were increased 217 per cent, conductors 111 per cent, baggagemen 151 per cent, brakemen 125 per cent. In freight train service the locomotive engineers were paid 36 cents per hour in 1898, and 86 cents per hour in 1922, an increase of 137.6 per cent. Firemen were paid 20 cents in 1898 as against 63 cents in 1922, an increase of 213 per cent. Conductors were paid 28 cents in 1898 as against 72 cents in 1922, an increase of 155 per cent. Brakemen, 20 cents in 1898 as against 56 cents in 1922, an increase of 174 per cent. Maintenance of way, section foremen were paid \$1.80 per day in 1898 as against \$4.55 in 1922, an increase of 216 per cent. Sectionmen, \$1.21 per day as against \$3.20, an increase of 230 per cent. Station employees, agents and operators for eastern and

[Mr. Beatty.]

western lines, increased in various percentages—273 per cent for operators east, and 329 per cent for operators west. Night operators east 317 per cent, and night operators west 342 per cent. Assistant agents 334.2 per cent in the east and 373 per cent in the west. Truckers and porters increased by a percentage of 226. In the mechanical shops we met the greatest disparity in rates, machinists being increased from 19 cents to 77 cents per hour, or 305 per cent; blacksmiths from 20 cents to 77 cents, or 285 per cent; carpenters from 19 cents to 77 cents, or 305 per cent; and car repairers from 14 cents to 72 cents, or an increase of 414 per cent. (Statement follows):—

COMPENSATION PAID VARIOUS CLASSES OF EMPLOYEES, MAY, 1898 AND MAY, 1922, AND PERCENTAGE OF INCREASE IN 1922 OVER 1898.

Train Service	100 miles or 10 hours per day		Reduced to hourly basis	100 miles or 8 hours per day		Reduced to hourly basis	Hourly per centage of increase
	1898		1898	1922		1922	1922 over 1898
	\$	cts.	cts.	\$	cts.	cts.	p.c.
<i>Passenger—</i>							
Locomotive engineer.....	3	29	32.9	6	08	76.0	131.0
“ firemen.....	1	83	18.3	4	64	58.0	217.0
Conductor.....	2	53	25.3	4	27	53.4	111.1
Baggageman.....	1	51	15.1	3	04	38.0	151.7
Brakeman.....	1	63	16.3	2	93	36.6	125.2
<i>Train Service—</i>							
<i>Freight—</i>							
Locomotive engineer.....	3	62	36.2	6	88	86.0	137.6
“ fireman.....	2	01	20.1	5	04	63.0	213.5
Conductor.....	2	84	28.4	5	80	72.5	155.3
Brakeman.....	2	04	20.4	4	48	56.0	174.5
Per day							
<i>Maintenance of Way—</i>							
Section foreman.....	1	80	18.0	4	55	56.9	216.1
Sectionman.....	1	21	12.1	3	20	40.0	230.6
Per Month							
Station Employees	300 hours per month		—	204 hours per month		—	—
	\$	cts.	cts.	\$	cts.	cts.	p.c.
Agent and operator, lines east.....	60	25	20.0	152	26	74.6	273.0
“ west.....	55	00	18.3	160	26	78.5	329.0
Night operator, lines east.....	44	00	14.7	125	26	61.4	317.7
“ west.....	45	00	15.0	135	26	66.3	342.0
Assistant agent, lines east.....	34	20	11.4	101	00	49.5	334.2
“ west.....	30	00	10.0	96	50	47.3	373.0
Per Hour							
Truckers and porters.....	0.15			0.49			226.6
<i>Mechanical Shops—</i>							
Machinist.....	0.19			0.77			305.3
Blacksmith.....	0.20			0.77			285.0
Carpenter.....	0.19			0.77			305.3
Car repairer.....	0.14			0.72			414.3

The comparison of the principal commodities entering into railway operations, which I presume will be printed in the record and which I will not read in detail,

[Mr. Beatty.]

shows varying percentages, all, of course, substantially increased. Rails for instance, in 1901, which was the last year in which we had a definite record, were \$26 a ton as against \$50 a ton in 1922, or an increase of 92.32 per cent. Fuel increased from \$2.67 in 1899 to \$6.89 in 1922, an increase of 158 per cent.

"For the purpose of comparison too, a statement of the principal items of material used by the railway and the cost of each in 1898 as compared with 1922, with the percentage of increase in each case follows:—

STATEMENT OF PRICES PAID FOR THE PRINCIPAL ITEMS OF MATERIAL USED BY THE RAILWAY, YEARS 1898 AND 1922 AND PERCENTAGE OF INCREASE AS COMPARED WITH 1898.

	1898		1922		Increase p. c.
	\$	cts.	\$	cts.	
Axles, freight car.....	2	25	3	50	55.56
Axles, locomotive.....	3	50	4	75	35.72
Wheels, freight car, 4½ x 8.....	8	65	10	79	24.74
“ “ 5 x 9.....	9	00	11	62	29.11
Nails, wire, base.....	1	80	3	50	94.45
Couplers, freight car.....	13	50	27	60	104.45
“ passenger car.....	17	50	42	40	142.30
Coke.....	5	00	7	75	55.00
Pig iron.....	21	50	26	25	22.10
Cement, Portland.....	2	00	3	15	57.50
Lumber, oak.....	22	50	51	00	126.67
Lumber, fir decking.....	11	00	15	00	36.37
Oil, car.....	0	23	0	29	26.10
Oil, valve.....	0	45	0	64	42.23
Waste, cotton (white).....	6	25	22	40	258.38
“ No. 2 wool.....	6	75	24	85	268.15
“ No. 1 wool.....	12	50	36	15	189.23
Springs, bolster.....	3	00	4	75	58.34
Angles and channels, base.....	1	10	2	10	90.92
Iron and steel bars, base.....	1	30	2	07½	59.62
Steel plates, base.....	1	10	1	32	20.00
Spring steel.....	2	50	3	75	50.00
Track bolts.....	2	55	5	15	102.00
Track spikes.....	1	87½	3	00	60.00
Steel castings.....	6	50	12	00	84.60
Brass castings.....	15	00	17	00	13.34
M.I. castings.....	2	90	7	00	141.40
Paint, freight car, brown.....	0	63	1	10	74.60
“ black, bridge.....	1	10	1	18	7.27
Varnish, coach.....	2	50	3	50	40.00
		1901		1922	
Rails.....	26	00	50	00	92.32
		1899		1922	
Fuel.....	2	67	6	89	158.05

In 1897 the operating ratio of the Canadian Pacific Railway was:

In 1897.....	57.16	per cent
1898.....	59.92	” ”
1899.....	58.16	” ”
1921.....	82.28	” ”

In other words, while it cost the Company 57.16 cents to earn a dollar in 1897, it cost 82.28 cents to earn a dollar in 1921, an increase of 43.95 per cent.”

The results of our operations in these two years I think will be interesting to the Committee as showing the general increase that took place in everything from gross earnings, and the relative disparity between the operating costs and the revenues—that is, the increase of the former being so much greater proportionately than the latter. In the year ending December 31, 1897, we operated 7,300.1 miles of railway. In the year ending December 31, 1921, we operated 14,384 miles, an increase of 97

[Mr. Beatty.]

per cent. In 1897 our gross earnings were \$24,049,000. In 1921 they were \$193,021,000, an increase of 702 per cent. Our working expenses increased from \$13,745,000 in 1897 to \$158,820,000 in 1921, an increase of 1,055 per cent. Our net earnings increased from \$10,303,000 in 1897 to \$34,201,000, an increase of 231 per cent. The operating ratio, as I have said, in 1897 was 57.16 per cent, and in 1921 it was 82.28 per cent. The earnings per passenger per mile were 1.82 cents in 1897 and 2.89 cents in 1921. The earnings per ton per mile were 0.78 cents in 1897 and 1.19 cents in 1921.

"The results of the Company's operations in 1897 as compared with 1921 should also be considered:

Year ending December 31, 1897		Year Ending December 31, 1921		Percentage Increase
				p. c.
Mileage operated—		Mileage operated—		
Eastern lines.....	3,690.9	Eastern lines.....	5,102.0	38.2
Western lines.....	3,609.2	Western lines.....	9,282.0	157.2
Total.....	7,300.1	Total.....	14,384.0	97.0
Gross earnings.....	\$ 24,049,534 65	Gross earnings.....	\$ 193,021,854 40	702.6
Working expenses.....	13,745,753 76	Working expenses.....	158,820,114 09	1,055.4
Net earnings.....	\$ 10,303,775 89	Net earnings.....	\$ 34,201,740 31	231.9
Operating ratio.....	57.16%	Operating ratio.....	82.28%	
Earnings per passenger per mile.....	1.82 cts.	Earnings per passenger per mile.....	2.89 cts.	58.8
Earnings per ton per mile..	0.78 cts.	Earnings per ton per mile..	1.19 cts.	52.6

The year 1899 was the first year that reflected completely the effect of the Crowsnest reductions. On December 1, 1921, reductions in freight and passenger tolls were ordered by the Board of Railway Commissioners. The following shows a comparison between earnings and cost of operation in 1899 and the earnings and costs for 1922 based on 1921 tonnage on scales of rates and wages now effective:"

This is on a constructive earning basis, taking 1921 tonnage as the basis, applying the reductions which the Railway Commission made in December 1921, making allowances for the decreases which we know we can accomplish and giving you the net result. In 1899 the gross earnings were \$29,230,000. The projected earnings for 1922 on the basis I have mentioned amounts to \$182,960,000, or an increase of 526 per cent. In 1899 the working expenses were \$16,999,000, as against \$149,133,000 in 1922, an increase of 777 per cent. The net earnings would increase from \$12,230,000 to \$33,826,000. In 1899 the amount necessary to meet our dividends and fixed charges was \$11,176,000. In 1922 the amount as we know it now, but which will probably be increased by the sale of securities during the year, is \$35,027,000. In other words, on that basis, applying the decreases of December last to an imaginary tonnage of 1921—that is, imagine that the tonnage in 1922 would be the same as 1921—we would fall short of making our dividends and fixed charges.

SPECIAL COMMITTEE

Year Ending December 31, 1899		Year Ending December 31, 1922		Percentage Increase
Mileage operated—		Mileage operated—		p. c. .7
Eastern lines.....	3,733.4	Eastern lines.....	5,102.0	36
Western lines.....	3,999.6	Western lines.....	9,282.0	132.1
Total.....	7,333.0	Total.....	14,384.0	86.0
Gross earnings.....	\$ 29,230,038 26	Gross earnings.....	\$ 182,960,038 00	526.3
Working expenses.....	16,999,872 77	Working expenses.....	149,133,714 00	777.0
Net earnings.....	\$ 12,230,165 49	Net earnings.....	\$ 33,826,324 00	176.6
Operating ratio.....	58.16%	Operating ratio.....	81.51%	
Earnings per passenger per mile.....	1.79 cts.	Earnings per passenger per mile.....	2.81 cts.	56.9
Earnings per ton per mile..	0.74 cts.	Earnings per ton per mile..	1.14 cts.	54.1

For the moment I would like to draw your attention to one or two phases of the agreement itself, not because I would propose to take any legal position in respect of it at this hearing, but because I think perhaps the members would be interested to know how that agreement was applied by the transportation companies since 1897.

"The Company is advised that under the Crowsnest agreement and statute the Company is under legal obligation to make the prescribed rates effective only on the mileage of railway in existence in 1897. But the Company, in an endeavour to establish equality of rates, applied the Crowsnest basis while it was in effect to its new mileage and as new construction was undertaken by other railways the same relative rates were made. In the end, therefore, the rates were made applicable by the Canadian Pacific Railway to about 13,772 miles of railway instead of 7,300, "which was the mileage under construction or in operation in 1897. "If the mileage constructed by other companies since 1897 is added, it is safe to say that the rates were applied to four or five times the mileage in existence at the time the statute was passed.

It is conceded that on the expiration of Section 325 of the Railway Act, which suspended the Crowsnest rates for three years from July, 1919, the Crowsnest agreement and statute will be binding and incapable of being varied except with the consent of Parliament. It must not be forgotten, however, that the extension of the rates to territory not covered by the bargain was made before the War and while the Company was transporting merchandise under normal conditions and under normal expenses. In the circumstances now existing to apply the act in this generous fashion would place a heavier burden on all transportation companies than was contemplated when the original contract was made in 1897 or when the rates were voluntarily extended to additional territory. If the rates are applied to the limited territory covered by the agreement it will bring about an inequality of treatment between different parts of Western Canada which must of necessity result in some districts being favoured over others which now enjoy relatively equal rates.

It will be observed too that the reductions apply only to thirteen classes of commodities (Exclusive of western grain) and only when moved from the East to the West. Rates on the same commodities between points in the West or points in the East and rates on all other commodities are not affected by the Crowsnest agreement or statute."

I do not know whether the members of the committee have, in the form in which I propose to give it, the history of the date changes in the last few years. It will fit in very naturally, if you will permit me to state it, with what I propose to say and what I have said. I do not think you have it in your record in any similar form.

[Mr. Beatty.]

"Because of war conditions and the high costs of labour, fuel and other supplies which continued during the later years of the war and afterwards, rate increases were allowed by the Railway Commission as follows:

March, 1918: 15% subject to the limitations imposed by the Crowsnest agreement. No rates higher than the Crowsnest scale were established at that time and some of the rates still remained below that scale.

In August, 1919, in view of the imposition of the McAdoo scale of wages and working conditions under Governmental authority in the United States, the Canadian Government by Order in Council adopted the same scale of wages for railway employees on Government lines and recommended its adoption by other companies in Canada."

By Hon. Mr. Crerar:

Q. Was that 1918 or 1919?—A. 1918; if I said 1919 I was mistaken.

"Both the Government and the companies regarded this as a forced condition and in consequence the Board of Railway Commissioners were directed to grant similar increases in rates to those granted in the United States under Order in Council P.C. 1863 on the recommendation of the Board of Railway Commissioners under authority of the War Measures Act the rates were increased effective August 12th, 1917. These rates were for the territory East of Fort William 25% over the rates made effective March 15th, 1918, and in the territory West of Fort William 25%, calculated on the tariffs in force prior to March 15th. In other words, in respect of Western Canada, the 15% was to be included in the 25%. The Order contained many special provisions resulting in increases in many commodities being less than 25%. No increases were allowed on Canadian lines on passenger, sleeping and parlour car tariffs. The Canadian railways, therefore, did not obtain the full increase allowed in the United States."

"By virtue of this Order rates were for the first time established on a higher basis than the Crowsnest scale. As to grain to Fort William and Port Arthur, the rate then established from Winnipeg was the same as the Crowsnest scale, while from territory West the rates ranged from one per cent per one hundred pounds higher at Portage la Prairie to four cents per one hundred pounds higher from stations in the territory between Regina and Calgary.

"The next increase was in 1920, due again to further increases in wages given by the Chicago Labour Board and the increasing costs of materials and supplies. Similar wage increases were given in Canada to prevent a nation-wide strike. The increases in freight rates became effective on September 13th, 1920, being 40 per cent in Eastern Canada and 35 per cent in Western Canada, except in the case of a number of commodities where specific increases lower than these percentages were granted. Passenger rates were increased 20 per cent both East and West subject to a maximum of four cents per mile. Sleeping and parlour car rates were also advanced. The Order provided that one-eighth of this increase in Eastern Canada and one-seventh in Western Canada should come off on December 31st, 1920.

"In July, 1921, a reduction was made in the wages on United States and Canadian railways approximating in the case of the Canadian Pacific a decrease of 9.03 per cent and the Railway Commission of its own motion instituted an investigation to decide whether or not a change should be made in rates in Canada. Subsequent to the general increase of rates made in September, 1920, during 1921 the railways voluntarily made a number of important reductions in rates which, of course, quite materially reduced their revenues. Among the more important voluntary reductions were grain rates from Fort William and Lake Ports both to the seaboard and for domestic consumption in Eastern Canada, which it was estimated would amount to a reduction of \$1,169,000.00. On livestock a reduction amounting to about 25 per cent was made from the existing rates owing to the serious condition in which that important industry found itself by reason of economic conditions. Reductions were also

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made on hay in Eastern Canada; on lumber from Pacific Coast to eastern points; on wool and hides from western to eastern points, and on a number of other commodities between various points. As a result of the investigation set on foot by the Railway Commission reductions in rates were made on December 1st, 1921, under General Order No. 350, as follows:

"In the territory east of Fort William and Port Arthur rates were reduced 25 per cent over the rates in effect prior to September 13th, 1920.

"In the territory west of Fort William and Port Arthur rates were reduced to 20 per cent over the rates in effect prior to September 13th, 1920.

"On through rates between Eastern and Western territories the above named percentages to be applied to the East and West factors respectively.

"Transcontinental commodity rates to be constructed on the basis of a decrease of 23½ per cent over the rates in effect prior to September 13th, 1920.

"Sleeping and parlour car fares reduced to the basis of 25 per cent over the fares in effect prior to September 13th, 1920.

"The rates fixed under the Order of December 1st, 1921, are those now in effect.

Labour Situation.

"The revision of rates of pay effective May 1st, 1920, aggregated an increase of approximately 21 per cent on the total payroll.

"The decrease in rates of pay made effective July 16th, 1921, amounted to 9.03 per cent of the total payroll.

"The Accounting Department have estimated that for the period January 1st to July 15th, 1922, as compared with the same period in 1921, the decrease will represent \$4,114,350.

"Hearings have recently been concluded before the United States Railroad Labour Board for all classes of employees except those of the Engine and Train Service classes on the applications of the railways for further decreases in rates of pay and the applications from the employees' organizations for increases on present rates. The decision of the Board has not yet been rendered, and is not likely to be for a few weeks.

"Hearings are likely to proceed shortly before the United States Railroad Labour Board with respect to rates of pay and working conditions (particularly the payment of time and one-half for overtime in road freight service) of Engine and Train Service classes. It is anticipated that these hearings will under existing conditions result in some reduction in the amount of compensation paid, but to what extent cannot at the moment be estimated.

"Decisions have recently been issued by the United States Railroad Labour Board affecting working conditions for all classes of employees, with the exception of Engine and Train Service classes, and particularly with respect to overtime payments for work in excess of eight hours per day and on Sundays and Holidays together with some minor re-classification of rates, etc., for the Shop Trades. Figures are not yet available to show even approximately what effect these changes will have on the payrolls as they will, of course, be dependent very largely on business conditions and the requirements of the service. It is probable, however, that two to three per cent would be a liberal allowance.

"The Railways in Canada have already served notices for the purpose of negotiating similar revisions in rules affecting working conditions for all classes of employees, with the exception of Engine and Train Service classes, and negotiations are now in progress with employees' committees. A revision of agreement has already been concluded with the Maintenance of Way employees which will reduce punitive overtime payments. It is expected that an agreement will also be reached with the representatives of the Shop Crafts employees which will reduce expenses to some extent by the modification of rules requiring punitive overtime payments and some minor changes with respect to classification of work as between higher and

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lower rated employees. Negotiations will proceed without delay with the other classes of employees to which notices have been served, but they may be prolonged and possibly result in applications for the appointment of Boards of Conciliation. Any decreases in expenses secured from these negotiations will represent only a small percentage on the total payroll of the classes affected respectively.

"The service of notices with regard to any further revision in rates of pay are withheld pending developments in the United States as it is not anticipated that any agreements could be reached until the situation clears there and any immediate action would probably involve proceedings which would have the effect of causing greater delay in making any such changes effective than to await developments before taking action.

"Effect of application of Crow's Nest Scale.

"The resolution appointing this Committee makes particular reference to the desirability of affording interested persons an opportunity to submit their views as to the effect of the rates established by the Crowsnest pass agreement upon the Canadian National Railways and other lines, as well as upon the agricultural development and Canadian industry generally.

"I find it very difficult to give this Committee reasonably accurate information as to the effect on the Company's revenues if the Crowsnest pass rates come into immediate effect. The difficulties are three-fold:

"First: It is impossible to make an accurate estimate as to the effect on revenues without a detailed study of the traffic and an examination of the waybills. Such an investigation could not be made in less than several months and the result would not be available for the purposes of this Committee.

"Second: Before an estimate could be made, the question would have to be determined whether the Crowsnest rates were to be applied only to the territory covered by the original agreement and statute or to the larger territory to which the railways extended the rates while they were effective. This question is one that would have to be determined by the Directors of the Company after the most serious consideration, subject, of course, to any ruling that might be made by the Board of Railway Commissioners.

"Third: To introduce the Crowsnest pass rates either in the limited or broader field would bring into existence rates substantially lower than rates applicable to any other territory and to all other traffic. The Railway Act contains many provisions to prevent discrimination between shippers and also between localities and the only way to ascertain definitely what is discrimination is to obtain a ruling of the Board of Railway Commissioners on the point."

"The present position, so far as it relates to this last point, should possibly be briefly stated.

"In the months of June, July and August, 1918, being the months that elapsed between the Board's Order increasing the rates 15 per cent effective April, 1918, and the Order in Council further increasing rates in August, 1918, the railways were operating under a scale of rates so far as applicable to Crowsnest commodities that might fairly be described as the Crow's Nest scale because the increase granted by the Board in March, 1918, made the increase conditional on the railways not exceeding that scale.

Since then, as has already been mentioned, rates were increased in Eastern Canada by 25 per cent in August, 1918 (under Order in Council) and by 40 per cent in September, 1920, but the increase of 40 per cent has been since reduced by 15 per cent, leaving a net increase over September, 1920, of 25 per cent. This means that rates in Eastern Canada, speaking generally, are about 56 per cent higher than they were when the Crowsnest rates were last in effect. The increases granted in Western Canada were, first 25 per cent under the Order in Council of August, 1918,

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but this increase was not based on the rates effective immediately prior thereto but on the rates in existence prior to the increase of 15 per cent granted in March by the Board of Railway Commissioners. The result was that this increase meant about 9 per cent advance on the rates in existence from June to August, 1918. A second advance of 35 per cent was made in September, 1920, but as in the case of the increase of 40 per cent in Eastern Canada, this increase has already been reduced by 15 per cent, leaving the net increase at the present time 20 per cent over rates effective prior to September, 1920. The result is that in Western Canada the rates effective prior speaking broadly, about 31 per cent higher than they were when the Crow's Nest rates were last in effect. The question therefore arises what are to be the rates effective throughout Canada if the Crowsnest rates are put in effect in Western Canada. Shall they be applied in the original limited territory or shall they be applied in the extended territory? If they are applied, shall all other rates be maintained at their present level or shall they be reduced either to the rates in effect prior to September, 1920, or to the rates in effect when the Crowsnest scale was last effective in June, July and August, 1918? I know of no way in which these questions can be dealt with by discussions that leave out of account the rulings the Board of Railway Commissioners would feel called upon to make in the circumstances and I would suggest that the Board of Railway Commissioners be invited to state what, in their opinion, would be the effect on the railways' revenues if the Crowsnest scale of rates would be immediately effective because they alone can pass upon the more important questions involved in that situation, especially in respect of the effect on existing rates of the Crowsnest scale going into operation and the disposition they propose to make regarding applications for rate reductions now before them.

"In order that the Committee will be seized with the magnitude of the figures we are now discussing, let me indicate what, in the judgment of the Traffic officers of my Company, the immediate effect would be on revenue from grain only. In June, July and August, 1918, when the Crowsnest rates were effective on western grain our per ton mile earning was .619 cents, which, if applied to our western grain movement for 1921 would show a revenue of \$19,024,418, whereas our actual earnings on western grain in the year were \$28,101,934.28; and our earnings on the reduced basis of rates effective December 1, 1921, applied to the same traffic, would have been \$26,183,955.54. Assuming our grain traffic to be the same this year as in 1921, and that the Crowsnest rates were effective throughout the year, the reduction in our revenue would therefore be \$7,159,537. I think this estimate is fair, though, of course, it is only an estimate. We have checked it by reference to our 1917 figures. In that year we were carrying Manitoba grain to Fort William at three cents per 100 pounds less than the Crowsnest scale and Saskatchewan and Alberta grain to Fort William for two cents less than the Crowsnest scale. If our revenue in those years from grain had been increased by three cents on Manitoba grain and two cents on Saskatchewan and Alberta grain we would have had a per ton mile earning on western grain of .562 cents, which, if applied to our 1921 grain movement, would produce a revenue of \$18,934,503.60, an amount which differs from the estimate based on 1918 by only \$89,914.

"We have also made a further rough estimate as to how our earnings would be effected by applying the Crowsnest rates to the territory in which it was formerly applied by the railways but leaving all other existing rates in effect, though by the terms of the Board's existing Order, they will cease to be in effect on 6th July next. The resulting figures are as follows:—

Gross earnings:	
Freight..	\$108,796,192
Passenger..	38,319,795
Other Railway Earnings..	21,996,102
	<hr/>
Total..	\$169,112,089
Working Expenses..	149,133,714
Operating Ratio..	88.2%
Net Earnings..	19,978,375
Amount necessary to meet Fixed Charges and Dividends..	35,027,277
	<hr/>
Amount by which Earnings would fall short of Fixed Charges and Dividends..	\$ 15,048,902
Decrease in Gross Earnings as compared with 1921..	23,909,765

"Reductions in revenue such as are indicated in these computations would make it necessary for the railways to endeavour to supplement their revenues on other traffic not directly affected by the Crowsnest scale by increasing present tariffs applicable thereto and it is not the opinion of those in charge of railway operations in Canada that the best interests of the commerce of the country will be served by creating a disparity in rates between the Crowsnest and other rates that would result therefrom. The loss would, of course, be made up to some extent by economies in operating expenses and by delaying needed renewals, improvements and extensions not in the interests of the railways or of the country as a whole.

Basic Commodities

"A statement has been made that the railway companies did not see fit to reduce rates on basic commodities because of the pending expiration of Section 325 of the Railway Act. I do not know whether or not the members of the Committee are particularly interested in this phase of the question but it is probably right that I should explain why this position was taken. When railway wages and costs successively forced up railway rates, blanket percentage increases were granted except in specified commodities. This practice was followed both in the United States and Canada because it was the only way in which the numerous tariffs could be amended within any reasonable time and in the case of Canada this was particularly important because the last wage increases which the companies were compelled to accept were made retro-active and had to be absorbed out of future earnings. When the time came at which a commencement of the revision of rates downward was necessary, it was not unnaturally supposed that the reductions should be made in the same way by blanket percentages. This was the view of the Railway Commission and partial reductions have already been made on this basis. It was apparent, however, that in 1921 certain industries felt the depression much more severely than others, and it was the opinion of the railway executives both in Canada and the United States, an opinion which, I think, is shared by the United States Government as expressed by the testimony of the Secretary of Commerce, Mr. Hoover, before the Interstate Commerce Commission, that inasmuch as the reductions were a matter of relief they should be first extended to those industries which most needed it. It was felt that more effective relief would be accorded in this way and that it would bear less heavily on the companies' revenues because of the exclusion from the reductions of numerous commodities in which the railway rate played a very small part. If the matter were one depending on the judgment of the railways, this method would be followed if the Railway Commission approved but as both the Order of the Board fixing rates and the provisions of Section 325 of the Railway Act expire on July

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6th next, the railways cannot accomplish anything until a definite future policy is laid down.

Railway Economies

"During the war and since the strictest economy has been practised by the Canadian Pacific. The property was in good condition and in shape to stand for a limited period drastic economies. Much work was postponed, first because of the inability to do it owing to the scarcity of labour, and secondly, because in view of the high cost of materials and wages the most necessary work only could be undertaken. In 1921 the company's operating costs were cut by over \$24,000,000 though the gross earnings decreased by \$23,619,000. This was accomplished by reductions in staff, deferring work, running shops on partial time, and cutting out such services as might be dispensed with without undue inconvenience to the public. For four years that I am particularly familiar with, the expenses of the Company have been reduced in every way legitimately possible and even with these economies its net revenues were barely sufficient to pay its operating expenses, fixed charges and 7 per cent dividend on its common stock.

"There is a limit, of course, to which these enforced economies can go without seriously injuring the property of the Company and affecting its efficiency as a transportation agency. In our expenses we have had due regard, first to the questions of safety, and secondly to the public convenience. We cannot be said to have accumulated surpluses in this period, the total surpluses for the last four years averaging \$1,063,404 per year from the earnings of a property in which there has been invested in cash \$892,000,000; the railway earnings of the Company in 1918, 1919, 1920 and 1921 being only 4.1 per cent, 4.07 per cent, 3.86 per cent and 3.83 per cent respectively on the cash invested in the railway itself.

"The Company is one of the largest purchasers of goods in Canada. There is no single industry in the country, which, in normal times, spends as much as the National Railways and ourselves, varying in the case of the Canadian Pacific from \$50,000,000 to \$90,000,000 per year. Non-paying rates means forced economies, less spending and possible deficits.

Now with the permission of the Committee, and only because it is a question that has been more or less interjected into the discussion on this subject, I want to say one word in respect to the credit of the Canadian Pacific Railway. (Reads):

"A great deal has been said on the subject of the credit of the Canadian Pacific Railway and whether its continuance is of national consequence or otherwise. I do not know whether I am stepping from a question of fact to one of opinion or dealing with the question which must be governed entirely by the views of the Committee rather than of those associated with the railways, but in view of the great interest which the owners of the property have in that subject, perhaps I may be permitted to tell the Committee why those in charge of the property regard it as of such vital consequence. The capital of the Company in Stocks, Bonds, Equipment and other securities is roughly, \$600,000,000. Of its Common Stock 45 per cent is held in Great Britain; 25 per cent in the United States and 20 per cent in Canada. Of its Bonds, Consolidated Debenture Stock, Preferred Stock and Equipment Issues, approximately 87 per cent is held in Great Britain. The market for its securities up to the War was, save in respect of Equipment issued entirely in London. Its credit in the United States, however, was high because its earning power was good. The British Government during the War considered the Canadian Pacific credit of such value that it initiated an arrangement whereby the Company was to issue bonds to the extent of \$200,000,000, collaterally secured, at a time when the Government itself was borrowing heavily in the United States. It may have been for the purpose of introducing a new kind of security, or it may be because the British Treasury Notes were becoming familiar and therefore unappreciated security in the United States, but the fact was that at that time the British.

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Government did not hesitate to propose using the Company's credit in assistance of its war financing. The plan, which was approved by the Canadian Parliament at that time, did not go into execution because of the entry of the United States into the War and their assumption of the necessary financing.

"Now I shall not deny that the Canadian Pacific is a perfectly solvent institution with reserves in liquid and unliquid assets, but I suggest to you whether its assets be great or small is not a consideration in the determination of the question which is before you. No company is happily situated unless it cannot only pay its way *but earn its way*. The credit of the Canadian Pacific, acquired over a period of years, has been due to its ability to earn as well as pay its fixed charges and reasonable dividends. It has never earned a cent except under legal rates, and for the last eighteen years it has had very little to say in the making of rates. The fairness or otherwise of those rates has been constantly reviewed in some aspect by the Railway Commission under the successive Chairmanship of Mr. Blair, Judge Kidd, Judge Maybee, Sir Henry Drayton, and Mr. Carvell. If by and because of its foresight in laying out its system and its efficiency in operation, it made surpluses in former years, it is not, I think, to its discredit nor should it be a factor in considering whether the rates now charged or proposed to be charged are fair, having regard to the cost of performing the service for which those rates pay."

I am perfectly willing to leave to the judgment of the Committee the question of whether or not the Company's credit is a valuable or useful thing. You all know, in a general way, as much as I do about the extent of the Company's operations. You also know, and I hope you appreciate this fact, that its success has contributed somewhat to the success of other Canadian enterprises. It is irretrievably linked up with the prosperity of Canada itself. In foreign markets it is so regarded, but probably any further reference to that phase of it would come more properly from somebody else. But our ability to borrow money on reasonable terms freely when we require it has a practical application to this question. (Reads):

"The Company's credit has too a very practical application in this way. The members of the Committee know that by reason of the conditions which prevailed very little new construction has been undertaken in the last few years. It was only common prudence not to undertake such work in the face of uncertain revenues. This is particularly the case because much new construction cannot be expected to carry itself immediately, interest charges and maintenance must be borne out of the general revenues of the Company and for these reasons there has been a wise but unfortunate restriction in railway construction and important work."

Now if the suggestion is made that this Statute should be reinstated in its original form, perhaps the Committee would like to know generally what our operating conditions were when the power was conferred on the Railway Commission to fix these rates irrespective of the Statute, as compared with the conditions of 1922. (Reads):

"Operating Conditions in 1919 Compared with those now existing"

"In 1919 Parliament, by amending Section 325 of the Railway Act, empowered the Railway Commission to deal with rates irrespective of any agreement, statutory or other, because at that time it was the view of Parliament that conditions had not reached normal to the extent of making the restoration of the Crowsnest basis of rates fair to the railways. The conditions under which the companies are operating in 1922 bear a relation to the cost conditions of 1919 which, though not in all respects identical, are so similar as to indicate that the influences which controlled the view of Parliament then have not disappeared except to a slight degree. A statement follows which shows the rates of wages prevailing in 1919 compared with those prevailing in 1922 and the cost of the principal commodities entering into railway operation in each of the years 1919 and 1922 respectively."

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The following comparison of rates paid to various classes of employees in the years 1919 and 1922 shows, as you would expect from the changes made in 1920, that the increases in 1922 over 1919 ranged from 16 per cent to 5 per cent. (Reads):

"CANADIAN PACIFIC RAILWAY COMPANY

"COMPARISON OF RATES PAID VARIOUS CLASSES OF EMPLOYEES, YEARS 1919 AND 1922

	1919		1922		Percentage of increase
	Per 100 miles				1922 over 1919
<i>Train Service—</i>					
<i>Passenger—</i>	\$	cts.	\$	cts.	p.c.
Locomotive engineer.....	5	76	6	08	5.6
" fireman.....	4	32	4	64	7.4
Conductor.....	4	00	4	27	6.8
Baggageman.....	2	77	3	04	9.7
Brakeman.....	2	66	2	93	10.2
<i>Train Service—</i>					
<i>Freight—</i>					
Locomotive engineer.....	6	48	6	88	6.2
" fireman.....	4	64	5	04	8.6
Conductor.....	5	40	5	80	7.4
Brakeman.....	4	08	4	48	9.8
	Per Hour				
<i>Mechanical Shops—</i>					
Machinist.....	0	72	0	77	7.0
Blacksmith.....	0	72	0	77	7.0
Carpenter.....	0	72	0	77	7.0
Car repairer.....	0	67	0	72	7.5
	Per day				
<i>Maintenance of Way—</i>					
Section foreman.....	4	15	4	55	9.6
Sectionman.....	3	20	3	20	.....
	Per month				
<i>Station Employees—</i>					
Agent and operator, lines east.....	138	00	152	26	10.3
" " west.....	146	00	160	26	9.6
Night operator, lines east.....	111	00	125	26	12.8
" " west.....	121	00	135	26	11.8
Assistant agent, lines east.....	87	50	101	00	15.4
" " west.....	83	00	96	50	16.3
	Per Hour				
Truckers and porters.....	43	1	49		14.0

The commodities statement is a very varying one, in that it shows large decreases in some commodities and large increases in others. To give you an example of the wide range of price between these two years I will quote a few examples: Railway coach tyres have decreased 36 per cent; locomotive axles have decreased 5 per cent; freight car axles have decreased 22 per cent; brake beams have increased 18 per cent; couplers have increased 35 per cent; pig iron has decreased 35 per cent; lumber shows substantial decreases of 55 per cent, 60 per cent and 12 per cent for the different types of lumber. Paints show decreases all the way through as shown in the statement. (Reads):

CANADIAN PACIFIC RAILWAY

"STATEMENT OF PRICES PAID FOR THE PRINCIPAL ITEMS OF MATERIAL USED BY THE RAILWAY, YEARS 1919 AND 1922 AND PERCENTAGE OF INCREASE OR DECREASE AS COMPARED WITH 1922"

	Unit of Measure	1919		1922		Percentage of increase or decrease
		\$	cts.	\$	cts.		p.c.
Axles, freight car.....	100 lbs.	4	50	3	50	22
" locomotive.....	"	5	00	4	75	5
Tyres, coach.....	"	9	00	5	75	36
" locomotive.....	"	9	00	5	75	36
Wheels, cast iron, 5 x 9.....	each	15	19	11	62	24
Nails.....	100 lbs.	4	35	3	50	19
Axle boxes, 5 x 9.....	each	11	15	11	45	3
Brake beams.....	"	16	50	19	50	18
Couplers, freight cars.....	"	20	45	27	60	35
" passenger cars.....	"	39	95	42	40	6
Coke.....	Ton	8	20	7	75	5
Pig iron.....	"	40	50	26	25	35
Cement.....	Bbl.	2	90	3	15	9
Lumber, decking.....	M ft.	33	00	15	00	55
" sheathing.....	"	75	00	30	00	60
" oak.....	"	58	00	51	00	12
Lubricating oil, freight cars.....	Gal.	0	21	0	29	38
" coach.....	"	0	39	0	34	13
" valve.....	"	0	57	0	64	12
Waste, cotton.....	100 lbs.	19	40	22	40	15
" wool No. 2.....	"	23	90	24	85	4
Springs, couplers.....	"	4	50	4	75	6
" bolsters.....	"	4	50	4	75	6
Angles and channels.....	"	4	50	2	10	53
Iron and steel bars.....	"	3	10	2	08	33
Steel plates.....	"	2	62	1	32	50
Spring steel.....	"	3	62	3	75	4
Rails.....	Gross ton	65	00	50	00	23
Track bolts.....	100 lbs.	5	75	5	15	10
" spikes.....	"	3	80	3	00	21
Steel castings.....	"	11	50	12	00	4
Brass.....	"	23	80	17	00	29
M. I.....	"	8	00	7	00	13
Paint, freight car, brown.....	Gal.	2	08	1	10	47
Varnish, car.....	"	4	00	3	50	12
Roofs, car.....	"	65	50	57	50	12
Coal.....	Ton	5	24	6	89	32
Ties.....	Each	0	77	0	89	16

"For the sake of brevity and in order to indicate to the Committee succinctly the view which I take of the situation, the following summary of the principal points mentioned may be made:

"1. The Canadian Pacific Railway does not contend that the Crowsnest agreement of 1897 will not be valid and binding on it after July 6th, 1922, unless Parliament otherwise directs.

"2. The Crowsnest scale of rates was extended to territory not in the contemplation of Parliament or the railway company in 1897, with the result that the benefits of the agreement have been extended to large additional territory.

"3. The effect of this extension of the application has been to include not only territory contiguous to the mileage in operation in 1897 but territory contiguous to new lines of railway constructed by other companies whether competitive to the mileage of the Canadian Pacific in existence when the agreement was made or to new lines constructed by the Canadian Pacific since then.

"4. The Canadian Pacific does not contend that if the Crowsnest rates are applied and restricted to the territory to which they were applicable by the agreement or to the larger territory to which they were later extended it would not be

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able to finance its operations for a time, or by borrowing the money or raising it by the issuance of capital securities pay its usual annual return to security holders and shareholders. This would, however, raise an important question of policy to be decided when the time arrives by the directors of the company.

"5. The Company agrees that a revision downward of rates is desirable and is quite prepared, with the approval of the Railway Commission, to put into immediate effect reductions in rates on basic commodities that will be of greater national benefit than the re-establishment of Crowsnest rates; such restrictions will largely affect its revenues. These reductions could only be made in anticipation of substantial additional reductions in operating costs.

"6. The grave objection to the re-establishment of the Crowsnest basis is that it will of necessity we think prevent general reductions in rates applicable throughout Canada."

There, of course, we are subject to the rulings of the Railway Commission, and such directions as they may make on the existing rate applications before them.

"If the revenues of the company are to be reasonably conserved, the gradual general reductions in basic and other rates will be retarded by the serious depletion in revenues due to the re-establishment of the Crowsnest basis. If, on the other hand, the reductions to the Crowsnest basis are to be followed by additional reductions applicable generally or to specific commodities or in reductions to bring the rates to the basis of 1918 or even to the level prior to August, 1920, the results would be too serious to be contemplated."

For the reasons which I stated at the commencement, we have not made an attempt to estimate these reductions, because we are utterly in the dark as to what disposition the Board of Railway Commissioners will make of the rate reduction applications which they now have before them.

To sum up, the two principal phases of the situation are, first, our cost condition and our ability to make further reductions. We are perfectly willing to economize to the last limit, as we have been doing; but most of our costs are not under our control, principally our pay-rolls. We are subject to the rules of tribunals who, while they do not deal directly with our affairs, do most effectively deal indirectly with them.

The second important point is whether or not on the question of method we are right or wrong, whether in our opinion, which I think is shared by all the railway executives in Canada and the United States, it would be better to proceed with reductions with the approval of the Railway Board on basic commodities, knowing that as our costs go down—and the tendency of rates downward must go on for some considerable time, and of course, they will be assisted by any improvement of traffic we receive—whether we are right in that or whether the imposition of the Crowsnest rates would be fairer in the interests of the companies, because they have some interests that must be considered, but principally in the interests of the whole country.

Now as I say, I have not burdened you with estimates. I do not have much confidence in estimates, to tell the truth. Estimates are varying things, depending entirely on the amount of business you do, and there is no human being who can tell you or me how operations during 1922 are going to be conducted, because we have no precise knowledge of what we may get in the way of business, which is the only thing that pays our way. Our traffic officers, statisticians and comptrollers are here, and if there is any information which you want from our official statements or otherwise, I would be glad to have it prepared for you. There may be some that I have not thought of. I have only dealt with the subject of rates and the condition of the company, in a very general way, because I feel that if you wish that to be supplemented by detailed exhibits they can be prepared by those who understand them and who can explain them to you.

[Mr. Beatty.]

Hon. Mr. MANION: I presume that the statement which Mr. Beatty has read will appear in the record?

The CHAIRMAN: The statement as he gave it, and anything he said outside the statement will appear.

Mr. HUDSON: I would like to say that the statement made by Mr. Beatty is one of a great deal of interest and importance and there are some phases of it with respect to which I would like to get a little further information. I would like to have an opportunity of asking Mr. Beatty some questions at a later date in connection with various matters which he has mentioned. I think that questions of that sort, so far as I am concerned, can be better reserved because it would save time for one thing. There are only two or three matters with which I am particularly concerned, and if at some later meeting of the Committee I may have that opportunity, it would be quite satisfactory.

The CHAIRMAN: Mr. Beatty will no doubt reappear before the committee at a later date, but we have an hour left, and some members of the committee may desire to ask a few questions.

By Mr. Macdonald:

Q. I gather that the situation in regard to the expenses and cost of transportation depends very largely on the wages which you are compelled to pay as a result of the McAdoo award and those other American awards?—A. Yes, sir.

Q. You regard the position of those railway boards in the United States which fix increases and deductions as compulsorily applicable to you?—A. In effect that is the result. Ninety-two per cent of the railway employees in the international unions are in the United States, and eight per cent in Canada, and if the ninety-two per cent accept reductions imposed by the Labour Board of Chicago, I would be very hopeful that the eight per cent would adopt the same attitude.

Q. So that in the proportion of eight per cent in Canada and of ninety-two per cent in United States you would seem to be to a certain extent or absolutely dependent on the American awards?—A. Yes, by reason of the fact that the vast majority of railway employees being in United States comprise a common international order. That is what happened when the increases went into effect, and I assume that that is what will happen when the decreases are fixed.

Q. That is the reason why you were compelled to accept those awards?—A. Yes, sir.

By Mr. Euler:

Q. What percentage of your operating costs is represented by wages?—A. Fifty-three per cent in 1919.

By Hon. Mr. Manion:

Q. How many years was the Crowsnest agreement actually in force?—A. Up to 1918.

Hon. Mr. MANION: That would be 21 years.

By Mr. Macdonald:

Q. What is the total amount of money invested in the C. P. R.?—A. \$892,000,000.

Q. Do you pay a ten per cent dividend on the amount?—A. No, ten per cent is only paid on \$260,000,000 common stock.

Q. What is the amount of interest charges upon your securities?—A. On Consolidated Debenture Stock four per cent; on Preference Stock four per cent; and the equipment issues would average about five and a quarter per cent. On the Algoma Branch bonds of which there are \$3,600,000 outstanding, it is five per cent.

[Mr. Beatty.]

Q. The ten per cent is only on the common stock?—A. On the common stock and seven per cent of that is from railway operations, steamship earnings, telegraph earnings and investments.

By Mr. McConica:

Q. Is your entire cost represented by the securities and common stock?—A. No, sir, the capital securities of the C.P.R. directly outstanding would be about \$600,000,000, and there are several subsidiaries representing about \$54,000,000, so that the total would be \$654,000,000 against a cash investment of \$892,000,000.

By Mr. Archambault:

Q. What is the percentage of railway employees belonging to the International Union?—A. I should think in our system a very large percentage. They vary in the different railway companies, but I should say about ninety-five per cent.

Q. Ninety-five per cent of the whole?—A. Ninety-five per cent of the organized employees.

By Mr. Vien:

Q. In addition to the reason you have given for the reduction of your wages to a lower point in Canada than what they are in the United States, owing to the fact that your employees, or the great majority of them, belong to the International Union, the international character of your traffic and business, and your international connections would prevent you from reducing wages to a lower point in Canada than in the United States?—A. It strengthens the international character of the unions undoubtedly.

By Hon. Mr. Manion:

Q. The result of any attempt to regulate the wages on your railway lower than the international agreement provides would be a strike?—A. Undoubtedly.

By Mr. Vien:

Q. Your employees when crossing the border would practically refuse to handle business?—A. Yes, we would have to recognize the conditions.

Q. Would you have to have two scales of wages, one on this side of the border and the other on the other side?—A. It is very difficult with men doing the same class of work.

By Mr. Euler:

Q. You said that the amount of cash actually invested in the C.P.R. was \$892,000,000?—A. Yes, sir.

Q. And that your capital securities amount to \$654,000,000?—A. Yes, sir.

Q. What constitutes the difference?—A. They constitute the monies which have been put back in the properties from revenues, land sales and premiums on stock.

By Mr. Malcolm:

Q. What is the average earnings on the \$654,000,000?—A. Do you mean the average percentage we pay for our money?

Q. Yes.—A. I think it would be slightly under five per cent.

By Mr. McConica:

Q. Mr. Beatty, you have told us that wages were higher when the Crow's Nest Pass agreement was entered into. Is it not a fact that you haul a heavier tonnage per man than you did then?—A. Well, I am not sure that you are right about that, sir. I do not know how that would work out in 1898 compared with 1922, but the wages are increasing in proportion to the traffic carried since 1916.

Q. You haul larger loads?—A. Oh, yes, sir—bigger locomotives.

Q. Is your crew on a train the same as it was then?—A. No, it is heavier, more numerous, much more numerous.

[Mr. Beatty.]

By Mr. McLean (Prince):

Q. Do we understand that earning was on the railways alone or on the whole operations of the C. P. R., including—A. On the railways alone.

Mr. DUFF: Mr. Chairman, the statement filed by Mr. Beatty with regard to wages, I took it, was only the gross amount of money paid, over the several years shown in the statement, to the employees. I think it would be as well, perhaps, if we got the company to file a statement of wages for, say, the years 1914 to 1921.

The WITNESS: In bulk?

Mr. DUFF: No; showing the wages paid each month to the different trainmen, say conductors, engineers, firemen, station agents, etc., so that we can see exactly what these men are receiving.

The WITNESS: All right, sir; very glad to. Between what years?

Mr. DUFF: Say from 1914 to 1922, so that we can make comparison and see exactly what they got the different years.

By Mr. Macdonald:

Q. What do you regard as the basic commodities on which a reduction of rates generally throughout the country might be made?—A. Of course that was only tentatively discussed between ourselves and the National Railways and the other railways, Mr. Macdonald, but we did think that we would start with grain, grain products, forest products, coal, building material, brick, cement, lime, plaster, potatoes, fertilizers, ores, wire rods and scrap iron.

Q. Lumber, I suppose?—A. Lumber, yes.

Q. On these different lines of products or commodities on which reductions might be made, that would be applicable to all parts of the country?—A. Yes.

Q. East as well as West?—A. Yes.

Q. Whereas you say, of course it is well to realize if the Crowsnest pass agreement is to be continued the compulsory reduction there would be only applicable to the territory within the limits of the Act?—A. Yes.

By Mr. McConica:

Q. About what proportion of your tonnage is grain, would you say, from the west?—A. In tonnage?

Q. In receipts, perhaps would be better.

By Mr. Macdonald:

Q. Mr. Beatty, on that point, if the Crowsnest pass agreement were made permanent, were continued, and a reduction went into effect there, wouldn't the natural result of that be that the Railway Commission would give you higher rates upon basic commodities in other parts of the country to compensate for the loss?—A. They should do that at least, in my opinion, but they would not be permitted, or at least justified, in reducing any; of course, that is for them to say. Mr. Lanigan tells me that 45.3 per cent of western lines traffic is grain.

By Mr. Crerar:

Q. Might I ask, Mr. Beatty, what is covered by western lines? From what point?—Fort William?—A. Fort William west, yes.

Q. That would include British Columbia as well, would it, Mr. Beatty?—A. Yes.

By Mr. Vien:

Q. Are the lines west of Fort William better paying than the lines east, a better paying proposition than the lines east?—A. Well, of course there is a bigger mileage, and the earnings—what were they last year, Mr. Lanigan?

[Mr. Beatty.]

By Mr. Lanigan:

Q. On grain in the west?—A. All traffic on western lines compared with eastern lines.

Mr. LANIGAN: 72,855,000 on lines west and 55,993,000 on lines east.

By Mr. Stewart (Lanark):

Q. What is the comparative mileage?—A. The mileage for eastern lines, 5,102, and western lines 9,282.

Q. That is mileage?—A. That is mileage.

By Mr. McConica:

Q. It is true, is it not, that more of your freight originates in the west than in the east, that a good deal of the eastern freight originates in the west?

By Mr. Vien:

Q. It ends at Fort William, does it not, most of it?—A. We have not a statement of that here, but I can get you the statement showing that.

By the Chairman:

Q. What is the wheat rate, Mr. Beatty, roughly speaking, from say Lethbridge, Calgary and Edmonton to Vancouver? Have you had sufficient movement in that direction to indicate, as compared with Port Arthur or Fort William?—A. I do not think that is printed; we will get that.

The CHAIRMAN: Mr. Crerar, do you happen to know what the freight rates were last season from points like Edmonton and Calgary to Vancouver, or say Edmonton to Vancouver, per hundred pounds?

The WITNESS: I have the information, but I have not it here. It is not in any of these schedules, is it?

The CHAIRMAN: No.

Mr. CRERAR: Roughly speaking from memory, I think it is 39 cents a hundred from Edmonton to Fort William, on wheat.

The CHAIRMAN: I wanted it the other way. From Edmonton it is 36 cents, or about 21 cents a bushel.

Mr. EULER: Mr. Chairman, if I may, I should like to return to a previous point. There is a surplus of assets over liabilities of something like \$238,000,000. I wonder if Mr. Beatty could tell us a little more definitely just how that surplus is made up. Some of it is from the operation of steamship lines. I presume some from land sales, and I think you mentioned also premiums on stocks sold. I think it would be interesting to know how much of the \$238,000,000 of so-called surplus—not all cash surplus, I know—is made up of actual earnings of the road, the railway end of it.

The WITNESS: \$130,000,000 from railway operations and from lands.

By Mr. Euler:

Q. Are there any surpluses that are not included in the \$238,000,000?—A. This is not a surplus in that sense; that is the amount of money invested in the property which is not capitalized. It is money that is spent in improvements and betterments and general railway upkeep, which we issued no capital securities for. To that extent that money of course is not earning anything.

By Mr. McConica:

Q. Pays no dividends?—A. No.

By Hon. Mr. Manion:

Q. It would not be shown in your statement?—A. No; it is in the cost of the road.

[Mr. Beatty.]

By Mr. Euler:

Q. How much of the actual surplus is in the \$238,000,000?—A. How much of the surplus railway earnings is in that \$238,000,000?

Q. Yes?

The CHAIRMAN: A rough, approximate answer will do; it is not of any great value.

By Mr. Boys:

Q. Mr. Beatty, I think you said that for some years past the surplus had been one million odd; what were the exact figures?—A. The last four years, averaging that.

Q. One million and how much?

Hon. Mr. CASGRAIN: Six hundred thousand.

The WITNESS: No, I do not think it was that much; \$1,063,000.

By Mr. Boys:

Q. What is the total surplus account of the company now?—A. Well, you mean surplus revenue from operations? If you took it for a period of years I could give it to you.

Q. You have that surplus per year on the average for the last four years?—A. Oh, yes; it is much heavier in previous years.

Q. I dare say; I was wondering if we could get the total surplus?—A. I can give you the total for the last ten years—approximately ten and a half years—about ninety-two millions.

Q. And the two years prior to that?—A. I could take it out, but I have not it here.

Q. I am not familiar with your book-keeping, but have you a separate account for total services of the C.P.R. since your origin?—A. No, but we can extract it for you and show you what it was—from railway operations.

Q. You would not care to say approximately?—A. I would not want to guess at it till I saw it.

By Mr. Euler:

Q. It would be greater that the 238 millions, difference between your cash invested and the amount of your capital securities, would it not? There is something in addition to that?—A. Yes; something in addition to it.

The CHAIRMAN: There are just two questions to be answered. Can you answer Mr. Euler?

Sir HENRY DRAYTON: I was just going to make a suggestion in connection with that question. The Company has filed income returns and dividend returns. I think Mr. Lanigan can easily prepare and have ready for us at the next meeting a statement showing the surplus, also the dividend history.

WITNESS: Mr. Leslie, our Comptroller, could get that.

Sir HENRY DRAYTON: The matter can easily be arrived at. I quite agree with what Mr. Hudson says as to the necessity of some careful study and there is one thing I am particularly interested in. Mr. Beatty has mentioned a list of basic commodities in which he thinks reductions ought to be made. It struck me as a very important list and I think perhaps a very fair list, but before we can give very much consideration to it we would like to get some concrete idea as to what the reductions would be in these basic commodities in case the Committee would be of opinion the agreement ought not to be renewed. I think Mr. Lanigan also could help the Committee a great deal in letting us know what this means from the angle of our inter-provincial trade, which after all, is most important and perhaps accounts a great deal for the underlying reasons of our railway construction. The inter-provincial

[Mr. Beatty.]

trade at the present time is very seriously handicapped, in view of the Panama rate to coast points and other Eastern points. I don't know whether we are in position to discuss that question to-day, but that would have a very serious effect upon the trade of Canada if we cannot get a reduction in basic commodities.

The CHAIRMAN: That is what the rate proposed would be.

Sir HENRY DRAYTON: We should get some idea as to what reductions the companies are willing to give us in connection with basic commodities. We also should come to know what our position is, having regard to Panama competition and inter-provincial trade.

The CHAIRMAN: Mr. Beatty has stated—I don't know whether I understood him properly—that he could not approximate the reductions in the commodities because he does not know how it would apply to the larger area or to the restricted area.

Sir HENRY DRAYTON: I am not speaking of the Crow'snest. I am speaking of reductions all over the country, I want to see what is offered in lieu of the Crow'snest agreement, and it seems to me that is something we are vitally interested in before we can come to any conclusions, and we are also interested in the question of inter-provincial movement and the question of coastal rate.

WITNESS: Do you mean we should get out a statement showing in addition to the revenue on basic commodities what the trade effects would be?

Mr. LANIGAN: As far as Panama competition is concerned, that is the competition from the United Kingdom points or from the United States shipping direct via Panama to the North Pacific coast, we have as far as possible met that condition by special transcontinental commodity rates for Canadian production, I might say, east and west to the coast and we are doing that every day.

Sir HENRY DRAYTON: Have you changed the basis of our transcontinental rate scale?

Mr. LANIGAN: Our transcontinental commodity scale has been very materially reduced. It is down to the 1914 basis almost, for this reason. I can give you a concrete example: bar iron was reaching Vancouver from Antwerp, Belgium, from Pittsburg by the American Steel Company's own boats owing to the fact that our manufacturers of iron in Hamilton and Montreal were not able to meet the prices these people made owing to their low freights from the United Kingdom and from Pittsburg, owing, of course, to the preference given to importations from Great Britain. We have reduced the rate on bar iron to 60 cents per hundred pounds in order that the Canadian productions, considering the unemployment situation in our factories, could reach the coast and we are doing it daily.

Sir HENRY DRAYTON: What is the situation on the American side with regard to transcontinental rates?

Mr. LANIGAN: Entirely different, because there are two lines of railways on each side of the Divide, the Missouri river. On lines east of the Missouri river we can, for instance, just as well carry the goods from Chicago to New York in connection with the boat sailings from New York to Seattle or San Francisco than participating in the low rate from Pittsburg to Vancouver, which would give us a less rate than we could handle it to the western carrier, so the lines west of the Missouri river are meeting that condition regardless of the east, but of course a great deal of the sources of supply of these commodities are east of Chicago and for that reason the American situation is entirely different.

Sir HENRY DRAYTON: That would be Chicago east?

Mr. LANIGAN: Yes.

Sir HENRY DRAYTON: Chicago west, though?

[Mr. Lanigan.]

Mr. LANIGAN: Chicago west they are meeting it wherever they can, but their situation is different, because the American duty on U. K. importations is very much higher than our duty; consequently they do not have to make as low a rate as we do, and we make it from eastern Canada where the most of our factories supplying the Pacific coast are situated.

By the Chairman:

Q. What did I understand you to say, Mr. Beatty, would be the net result in finance to the C.P.R., if the Crowsnest pass agreement were put into effect? Is it \$7,000,000 of loss?—A. On grain.

Q. And \$15,000,000 of an estimated total loss?—A. Not total loss, but we would fall short of meeting our fixed charges and dividends by that amount. That is only an estimate.

By Mr. Shaw:

Q. That does not take into consideration any improvement there may be in traffic?—A. That is based on 1921 tonnage.

By Sir Henry Drayton:

Q. I did not hear very distinctly, but do I understand that your Company takes the position that the Crowsnest pass agreement only applies to lines then in existence and does not apply to any commodity other than the specific commodity mentioned in the agreement itself?—A. That, we are advised, is the legal result.

By Mr. Duff:

Q. You take that position despite the attitude of Sir Henry Drayton in 1917?

By Mr. Macdonald:

Q. Mr. Beatty said a few moments ago that the total gross earnings on the western lines, which comprise about 9,000 miles, was \$72,000,000 and the total earnings on the eastern lines was \$55,000,000. Am I right in assuming therefore that the total earnings of the western lines would be about \$8,000 a mile and the eastern lines about \$10,500, or \$2,500 a mile more than on the western lines. Can you give us a comparison of the earnings on your eastern lines over the western lines?—A. I think we can easily work that out, sir.

Mr. SHAW: I would like to have it definitely stated as to what period you refer to when you are mentioning those two figures for earnings. Was that last year, 1921, the \$72,000,000 and the \$55,000,000?

Mr. LANIGAN: 1921.

Mr. SHAW: Those are definitely for the year 1921?

Mr. LANIGAN: Yes.

By Mr. Macdonald:

Q. As to the amount of reduction your company will propose to arrange on this basis that would be applicable all over the country, would you be in a position to indicate to the Committee as to what percentage a reduction there might be on the rates on these various commodities?—A. I can work it out. If we took out the revenue which Sir Henry Drayton has asked for. It would simply be an estimate.

Q. You will probably do that later on?—A. Yes, Mr. Lanigan will work that out for you.

By Mr. Archambault:

Q. What is the total mileage affected by the Crowsnest agreement?—A. About 14,000.

Q. Can you tell us to what extent the C. N. R. would be affected by the same agreement?—A. No, I could not.

[Mr. Lanigan.]

Sir HENRY DRAYTON: I think the total mileage was 7,000

Mr. LANIGAN: 7,300.

Sir HENRY DRAYTON: Mr. Archambault is referring to the mileage specially covered by the agreement.

Mr. LANIGAN: The mileage that would be affected by the revival of the Crowsnest pass agreement. We had applied it to the whole mileage.

By Mr. Macdonald:

Q. The result of the situation would be that the Canadian National Railways would have to adopt the same rates?—A. Yes.

Q. And the Canadian National Railways, if you reduced your commodity rates all over the country would have to follow suit?—A. We would only do it in agreement with the National Railways.

By Hon. Mr. Crerar:

Q. The total amount of common stock issued by the C. P. R. is \$260,000,000?—A. Yes.

Q. Some of that stock was issued at a discount?—A. Yes.

Q. Would you tell the Committee the actual amount of money that went into the building of the line as against the \$260,000,000?—A. It would be a great deal more than that, because we issued so much of our stock at a premium. That was included in Sir Henry Drayton's request and we will have it prepared.

The CHAIRMAN: Mr. Lanigan or Mr. Beatty told us that wheat and grain are the principal commodities to-day. Now they are live questions under the Crowsnest agreement. The movement of the other fifteen commodities is not very great westerly, is it?

Mr. LANIGAN: Oh yes, there is a large movement which affects the revenue there more on account of the length of its haul. All these commodities are from eastern Canada and Fort William to the western distributing destinations principally.

The CHAIRMAN: Take fruit. There is not much of a movement from eastern points.

Mr. LANIGAN: No. There are some of these commodities that have changed their points of origin entirely and fruit and apples are very largely now supplied from British Columbia. In fact, the output of the British Columbia orchards is greater than the entire consumption of the Canadian Northwest and I dare say the members of the Committee have noticed themselves that British Columbia is selling in Montreal and Ottawa and as far as New York, so they have more fruit in British Columbia than can be consumed by the present population of the prairies.

Mr. MACDONALD: What about live stock?

Mr. LANIGAN: The live stock under this Crowsnest pass agreement was west-bound live stock. In 1899 there were so many ranches coming into existence that it was thought necessary to make a reduction from eastern Canada to western Canada in live stock. Of course, since then the movement is in the reverse direction because on the prairies now they have increased their herds and they are now shipping their stock of course to eastern Canada for export.

Mr. STEWART (Lanark): Does not the same principle apply to the period for the present high scale of rates? Had not the movement of lumber increased very much from British Columbia from the date of the Crowsnest pass agreement?

Mr. LANIGAN: Oh yes. Of course, the Crowsnest pass agreement did not cover lumber.

The CHAIRMAN: What about coal oil?

Mr. LANIGAN: As far as oil is concerned, it is the same thing. In 1899 there were no oil refineries in the west. All the refined oil came from the refineries in eastern

[Mr. Lanigan.]

Canada or came up by boat to Fort William and was reshipped from that point to western Canada. To-day there is a very large oil refinery at Regina and another one at Vancouver and these refineries of course supply a very large share of the consumption in the west, but Mr. Chairman, at that time if you will remember, there were no internal combustion engines; there was no extension of electric light and electric power. Gasoline was not a factor on the farm, consequently the Crow's Nest supplied the coal oil in 1899, which was an important matter to the farmers. Gasoline and lubricating oils are a very much more important factor than they were then, and are largely obtained from Vancouver and Regina.

Mr. MACDONALD: Is that included in the agreement?

Mr. LANIGAN: No. Of course, at that time coal oil was an important thing. There was no electric light and there were no gasoline engines or tractors or gasoline machinery on the farm.

By Hon. Mr. Manion:

Q. As an average during a year, what is the percentage of the grain coming from the west that changes and comes by boats from the head of the lakes?—A. 80 per cent of it, 90 per cent of it.

Q. 80 per cent to 90 per cent?—A. Yes.

Sir HENRY DRAYTON: Mr. Lanigan, there was a question put to Mr. Beatty in connection with the length of time the Crowsnest pass agreement had been effective. The answer given was it was effective from the time it was made. My recollection is that the Crowsnest pass rates seemed to be affected comparatively at the time and in 1914. For example, in the western rates case every rate fixed was below the Crowsnest pass rates with the exception of a rate on fruit less than carload lots? Is my recollection right or wrong?

The CHAIRMAN: The most of the rates were down to the Crowsnest pass basis with the exception of the rates on grain to Fort William.

By Sir Henry Drayton:

Q. My question was this, that every rate fixed in 1914 in the western rates case was fixed totally irrespective of Crowsnest pass obligations with the exception of the rate on fruit.—A. Less than carload lots on fruit.

Q. The grain rate was a rate under the Manitoba Agreement?—A. Yes.

By Hon. Mr. Manion:

Q. I understood Mr. Beatty to say that the Crowsnest pass rates or lower were in effect until about 1918?—A. That or lower, yes. In increasing the rates 15 per cent it was necessary to insert a proviso that the Crowsnest rates must not be exceeded; that was when increasing the 1917 rates by 15 per cent.

By Mr. Euler:

Q. I understood you to say, Mr. Beatty, that your Company stands ready to make a reduction of rates on basic commodities now. Do you consider that a more equitable arrangement than you have the Crowsnest pass agreement come into force again, and if so, why? Would it compensate the public in the one case just as much as in the other?—A. I think it is a more equitable way of doing it, because it enables my Company to give assistance to some of the industries which have been most severely dealt with by these conditions. It would probably bear less heavily on the railway companies—although we will have to take out the figures and arrive at an estimate—but if the Crowsnest pass agreement is imposed as it has been interpreted by the railway companies over a period of years we would have to contend before the Railway Commission that we could not stand any further decreases in our revenue.

[Mr. Lanigan.]

Q. The amount of reduction on basic commodities will not, on your suggestion, amount to as much as if the Crowsnest pass agreement came into force?—A. No.

By Hon. Mr. Manion:

Q. But it would be more general?—A. Yes, all over Canada.

By the Chairman:

Q. You take the position, Mr. Beatty, that if the Crowsnest pass agreement again went into effect you could not stand any reductions on other commodities in other sections?—A. Under the present conditions I would be forced to make that contention before the Board of Railway Commissioners.

By Mr. Boys:

Q. On page 4 of your statement I see a reference dealing with the conditions for the year ending December 31. I observe there that the net earnings are placed at \$34,200,000 odd. Then according to your statement on page 14 which, as I understand it, is an estimate of what the revenue and expenses, etc., would be with the restoration of the Crowsnest pass agreement, you would fall \$15,048,000 short of earning your fixed charges and dividends—is that correct?—A. Yes.

Q. So it goes without saying that that condition of affairs could not continue, and you would have to get a reduction in operating expenses or increased freight rates elsewhere?—A. Yes; that is the situation exactly.

Q. And you believe this estimate you have given showing a shortage of \$15,048,000 is fairly reliable?—A. Yes; it is as nearly correct as it can be got by our statisticians and traffic experts.

By Mr. Vien:

Q. There are at present petitions before the Board of Railway Commissioners to obtain reductions of freight rates?—A. Yes.

Q. If there was a further suspension of the Crowsnest pass agreement do you think that the reductions you are prepared to make in your rates would meet the petitions before the Board of Railway Commissioners?—A. It would, of course, depend entirely upon the judgment of the Railway Commissioners as to the reasonableness of the reductions, and as to whether or not they were discriminatory. We are subject to their rulings as to that.

Q. It would be a matter of further argument before the Railway Commission?—A. Undoubtedly.

By Mr. Macdonald (Pictou):

Q. In other words, supposing it was decided that the Crowsnest pass agreement ceased to have any further effect, the Railway Commissioners would then decide what, in the general interest of the country as well as the interests of the railway companies, would be the reductions that ought to be made in these basic commodities?—A. They would decide both cases. They would decide the cases before them plus the suggestions of the railway companies as to their reductions.

By Mr. Euler:

Q. If your suggestion of reductions on basic commodities were adopted would that, in your judgment, be as advantageous to the West as if the Crowsnest pass agreement were brought into force again?—A. No; it would not be in the case of grain.

By Mr. Boys:

Q. Have you any objection to furnishing the Committee with the argument which you consider most forcible as to why a solemn agreement entered into with the [Mr. Lanigan.]

Company in 1897 should now be disregarded?—A. The answer to that, Mr. Boys, is fairly obvious. In 1919, and also before then, the Government itself came to the conclusion that the economic condition and transportation cost conditions were such as rendered it desirable in the interests of the whole of Canada that the Crowsnest pass agreement should be suspended. Our suggestion to the Committee is that if that was a good argument then, the reasons for it have not yet disappeared. We do not ask for the abrogation of the Crowsnest pass agreement, but we say that the transportation companies are not in a position to stand the extra strain of this drastic and heavy reduction at one time under the cost conditions under which we are operating. It is simply to soften the blow for a time that we suggest this other expedient.

By Mr. Vien:

Q. And, moreover, that if that Crowsnest pass agreement was again put into force it would be at the cost of increased rates on other commodities in order to make up the deficiencies?—A. Yes.

By Mr. Archambault:

Q. Increased rates in other parts of the country?—A. Yes.

By Mr. Vien:

Q. An undue increase in other rates in order to make up your deficiencies?—A. Yes.

By Mr. McMurray:

Q. Have you considered what percentage, roughly, of reduction your Company could stand?—A. I have, yes.

Q. What percentage?—A. It varies in the case of the different commodities. Our traffic officers in conjunction with the traffic officers of the Canadian National Railways have reached a tentative understanding as to what they think the first reduction should be. Perhaps I should make my own position clear. I think, of course, that rates are going downward from now on for a period as we recover ourselves, as we get our costs down and get our traffic up. But for the moment we thought it the part of wisdom to take out the commodities which would feel the relief of reduced rates most. That is the list I read to you: Grain and grain products, forest products, coal, building material, brick, cement, lime, plaster, potatoes, fertilizer, ores, wire rods, scrap iron, etc.

Q. What reduction would you make on grain?—A. We were going to suggest 16.66 per cent.

By the Chairman:

Q. 16.66 per cent reduction?—A. Yes, west of Fort William.

By Mr. McCrea:

Q. And on lumber?—A. 11.70 per cent.

By Mr. Macdonald:

Q. But the Railway Commission might make you reduce it still more?—A. Yes, they might think our scheme is an unfair one.

Q. Is fruit mentioned?—A. No.

By Mr. Duff:

Q. Or fish?—A. No.

The CHAIRMAN: The members of the Committee will now have an opportunity of considering Mr. Beatty's statement before proceeding with his cross-examination.

The Hon. Mr. OLIVER, Prime Minister of British Columbia, is en route to Ottawa and is expected here at the end of the week.

[Mr. Lanigan.]

The Hon. Mr. GREENWOOD, Prime Minister of Alberta, is expected here at the latter part of next week for the purpose of making representations on behalf of the province of Alberta.

Mr. SYMMINGTON, representing the Governments of Manitoba and Saskatchewan, will appear before you next week to make a statement on behalf of those Governments.

The Canadian Council of Agriculture have asked to be heard, and I have intimated that a hearing will be granted at the end of next week or the first part of the following week.

The Board of Trade of the city of Calgary have wired protesting against any variation of the Crowsnest pass agreement. That is all they say. I think that is just as satisfactory, for our purposes, as if they came here and made a lengthy statement.

Some lumber associations have requested a hearing.

Mr. MACDONALD: Mr. Chairman, why cannot the Committee continue this afternoon?

The CHAIRMAN: I was coming to that. Is Mr. McTaggart of Saskatchewan present?

Mr. McTAGGART: Yes.

The CHAIRMAN: I understand you desire to ask for a hearing on behalf of somebody?

Mr. McTAGGART: Yes, on behalf of Mr. W. J. Brummitt, the Mayor of East End, Saskatchewan, who is at the head of a delegation representing the mayors of the towns and the Reeves of the municipalities in the South West, who are seeking a hearing before this Committee. The area represented by this delegation is approximately 15,000 square miles.

The CHAIRMAN: Would the representations relate chiefly to the Crowsnest pass agreement?

Mr. McTAGGART: I have a copy of Mr. Brummitt's telegram here if the Committee would like me to read it.

Mr. VIEN: Perhaps the sub-committee could deal with the matter.

The CHAIRMAN: Mr. Macdonald, with regard to your suggestion that the Committee continue to sit this afternoon, I regret to state there is no other witness ready to go on.

Mr. MACDONALD: Could not Mr. Hanna appear before us?

The CHAIRMAN: He cannot be ready until Monday.

Is it the desire of the Committee to meet again this afternoon and proceed with the cross-examination of Mr. Beatty?

Mr. ARCHAMBAULT: I think we should have an opportunity of perusing the printed evidence before we proceed with Mr. Beatty's cross-examination.

By Mr. McCrea:

Q. Mr. Beatty, I notice you say the proposed reductions you think could stand are 16.66 per cent in the case of grain and 11.70 on lumber and forest products. What is the reason for that difference? If I am rightly informed—and I think I am—the rate on lumber is very much higher to-day than the rate on grain for the same mileage. As a matter of fact, if I wish to ship a car of lumber from any point in the West to the seaboard, the rate is nearly twice as high as the rate on grain. Recently I requested from your Company the rate on lumber for export from a point 400 miles east of Fort William to Montreal, and you quoted 34 cents per hundred; whereas I believe you are carrying wheat from Fort William, and even farther west than that point to the seaboard at a much lower rate?—A. Mr. Lanigan will answer that question.

[Mr. Lanigan.]

Mr. LANIGAN: There is a lower rate on grain than on lumber. The rate on grain from the Northwest is a continuation of the western rate, and is made in competition largely with the rate from Duluth or the rate by boat from Fort William. Grain loaded at Fort William destined to any eastern point or for export loads about 88,000 pounds per car and higher, running up to 120,000 pounds. The minimum on lumber is 40,000 pounds. Therefore the earning per car on lumber with a higher rate is much less than the earning per car on grain.

Mr. McCREA: There is some reason for the lesser capacity. You usually supply us with cars that will not carry grain at all, old scrapped cars full of holes and other deficiencies.

Mr. LANIGAN: I have got to accept your statement for it, and I would not say what your experience has been; but with my knowledge of traffic which covers a good many years—I think I am as old a man as you are—I have not seen that type of car for some years on the C.P.R.

Mr. McCREA: We will show you some of them.

Mr. LANIGAN: I will be very glad to rectify anything of that kind. But the car supplied for loading lumber is alright for lumber. I must admit that you could put lumber in a car that would not be suitable for the carriage of grain.

Mr. McCREA: Very true, I do not object to that. But the cars that are obsolete are of much less capacity and would not carry as much; consequently I do not think the Railway Company have the right to say they can put 70,000 or 80,000 pounds of grain in a car, when you give us cars that have not that capacity, many of them.

Mr. LANIGAN: I have had a very large experience in British Columbia, and the average car of lumber that is hauled out of British Columbia does not exceed 50,000 pounds capacity. Another reason is that the people receiving the lumber do not want an excess of that quantity. In a very large number of cases you get a 40,000 pound minimum, and in British Columbia the minimum is 50,000 pounds.

Mr. McCREA: Is it not the practice of all the railway companies that the more valuable the article transhipped the higher is the rate of freight. That is, you charge a higher rate of freight on some classes of goods than on others because they are more valuable. Take it on that basis; the wheat that you are shipping from the western points is worth at least twice as much per hundred as lumber, yet you charge us a very much higher rate.

Mr. LANIGAN: We do not get as high a rate on grain as on lumber. You are getting a rate of 34 cents on a car of 40,000 pounds, and you said the rate was 31 cents on a car loading 120,000 pounds from Fort William. If you are supplying two cars, which of the two classes of traffic is most desirable, the one at 31 cents for a car loading 120,000 pounds or the one loading 40,000 pounds at 34 cents?

By Mr. Macdonald:

Q. I have just another question to ask Mr. Beatty. What is the total increase, so far as the expenses of operation is concerned, of the wages as a result of the McAdoo and Chicago awards?—A. That is in the statement.

Mr. McCREA: I simply rose for the purpose of drawing this matter to the attention of Mr. Beatty and the Committee in general, and I say that it is unfair to ask 34 cents from a point 400 miles nearer Montreal than Fort William is, whereas you are giving rates on grain which is at least worth twice as much as lumber at a very much lower rate. I hope that when you come to consider the matter you will see the unfairness of it.

Mr. JONES: Has any request been made by the Lumbermen's Association to be allowed to appear before the Committee?

The CHAIRMAN: Mr. Hanson filed a request from the lumbermen.

[Mr. Lanigan.]

Mr. JONES: When will they be here?

The CHAIRMAN: We cannot say yet.

Mr. MARTELL: I am not a member of the Committee, but I would like to ask that an opportunity be given to the fruit growers of Nova Scotia to appear. The fruit industry is entitled to consideration, and I see that there is no representative of a fruit growing district on the Committee.

The CHAIRMAN: Well, we will consider that a little later. There has been no request, Mr. Martell.

Mr. MARTELL: I am making the request now, Mr. Chairman. I think they have a right to be heard.

The CHAIRMAN: Well, I am not denying that, but we cannot grant the request to-day, Mr. Martell, because we cannot fix the date. Now, gentlemen, is it agreeable to you that we meet on Monday morning at eleven o'clock, to hear, I think, Mr. Hays of the Canadian National Railways?

Mr. BOYS: Why not say ten-thirty, Mr. Chairman? That would give us more time?

The CHAIRMAN: That is true, but it is a difficult morning on which to get a meeting of the Committee, and I do not think we can meet earlier than eleven o'clock. I hope our friends from Quebec will come up in time.

The committee adjourned at 1.07 p.m. until Monday, May 22, 1922, at 11 o'clock a.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 3—MONDAY, MAY 22, 1922

NAMES OF WITNESSES

Mr. Hanna, President, Canadian National System.

Mr. Hayes, of Canadian National System.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

MONDAY, May 22, 1922.

The Select Special Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Gentlemen, will you please come to order? At the conclusion of our proceedings on Friday last many members of the Committee complained to me about the incessant noise going on in the committee room which resulted in much that was said not being heard. I would like to ask the members to cease conversation when a witness is giving evidence or a member is asking questions. Further, I would like to ask those members who are seated at the back of the room to move forward as far as possible.

I am directed this morning to call your attention to a typographical error on page 56 of the proceedings wherein Mr. Lanigan answering a question put by Mr. Stewart said that the mileage of eastern lines of the C. P. R. was 5,000,000, and the western lines 9,000,000. The C. P. R. is a great road, but you must give it time to get up to that. It should read 5,102 miles and 9,282 miles respectively.

Mr. Hanna, President of the Canadian National System, is with us this morning, and he will be heard first, to be followed by Mr. Hayes.

Mr. D. B. HANNA, called, sworn and examined:

By the Chairman:

Q. I assume you have read the order of reference and your statement this morning shall refer as closely as possible to the Crowsnest pass agreement and its effect upon other railway systems and generally the direction of the reference.—A. Yes, sir.

Q. I would ask as on Friday, that Mr. Hanna be allowed to make his statement in continuous form.—A. The figures now presented have been prepared to show the position in which the Canadian National Railways would be placed while operating under the present estimated scale of expenses and under rates stipulated by the Crowsnest pass agreement. (Reads):

“Toronto, May, 1922.

“*Memorandum*

“The figures now presented have been prepared to show the position in which the Canadian National Railways would be placed while operating under the present estimated scale of expenses, but under rates stipulated by the Crowsnest pass agreement and with the rates on all other traffic adjusted to comply with the requirements of the Board of Railway Commissioners' General Order No. 308 of September 9, 1920 (effective September 13, 1920). For this estimated result the adjusted rates have been applied to the same volume of traffic as was handled in the year 1921. For purposes of comparison, the actual results of 1921 are presented.

“In this connection, as has already been stated by Mr. Beatty, and as it is assumed is well understood, the Order of the Board of Railway Commissioners of September, 1920, providing at that time for an increase in all rates (with a few exceptions only) east of Fort William of 40 per cent and west thereof of 35 per cent, included a proviso to the effect that a reduction of 5 points, or to 35 per cent east and 30 per cent west, would automatically become effective 3½ months later, or on January 1, 1921.

[Mr. Hanna.]

"These general increases of 35 per cent and 40 per cent in Canada were subsequent to a corresponding increase on the American railways, such having been considered necessary to meet the increase in pay rolls resulting from the so-called Chicago Labour Award and the high price of fuel supplies and of all materials entering into railway operation.

"Up to the present time there has been no general deflation of rates on the American railways, except a temporary 10 per cent reduction on agricultural products from their 35 per cent and 40 per cent general increase of August, 1920, although the Canadian railways have made a general reduction of 15 points on all rates, class and commodity, previously included in the 25 per cent and 40 per cent increases of 1920.

"It is apparent from the foregoing that the Canadian railways to date have undergone a much greater deflation of revenue than the American railways, notwithstanding the latter's larger supporting population and greater density of traffic.

"The restated figures as presented show the effect on revenue of the adjustment of rates applicable within Canada only. International rates may be reduced as a result of the Interstate Commerce Commission compelling the American railways to deflate to a greater degree than they have done to date. In fact, on some of our current traffic movements a reduction in International rates would be of as much, if not more benefit to many of our shippers as corresponding reductions within Canada—as, for example, International rates on Live Stock, Potatoes, Lumber, Fish, Pulpwood, Pulp and Paper are of material interest to many shippers in both Eastern and Western Canada.

"It is estimated that, as a result of orders that may be issued by the Interstate Commerce Commission and which would necessarily affect International rates, the earnings of the National Railways on such traffic might be reduced to the extent of at least 20 per cent, which would mean a loss in gross earnings of approximately \$2,500,000 in addition to that set up in the restated figures. This is an item that should also be considered when contrasting the position of the National Railways in 1921 with the results that will follow from any general reduction of rates that may now be considered proper.

"We now present as Exhibit A, the actual results of operation for the year 1921, showing the rate adjustments which took effect during the year."

EXHIBIT A

CANADIAN NATIONAL RAILWAYS

Actual Results of Operation, 1921

<i>Gross Earnings—</i>	
Freight.....	\$93,785,017 60
<i>Passenger—</i>	
Ordinary fares.....	\$21,110,052 83
Sleeping and Parlour car fares.....	1,817,937 97
Total fares.....	22,927,990 80
<i>Miscellaneous.....</i>	9,978,447 32
Total.....	\$126,691,455 72

It should be remembered that in the year there were various freight and passenger rate reductions which brought down the general level of rates from the scale to [Mr. Hanna.]

which they were advanced by the increases effective 13th September, 1920. These reductions were as follows:—

1. Passenger, January 1, 1921, $\frac{1}{2}$ of the 20 per cent increase of 13th September, 1920, was removed.

2. Freight, January 1, 1921, increase over rates in effect prior to 13th September, 1920, reduced from 40 per cent East and 35 per cent West to 35 per cent East and 30 per cent West.

3. Passenger, July 1, 1921, balance of increase of 13th September, 1920, removed.

4. Passenger, December 1, 1921, surcharge of 50 per cent on Sleeping and Parlour car fares effective 13th September, 1920, reduced by one-half.

5. Freight, December 1, 1921, rate of increase over rates in effect prior to 13th September, 1920, reduced from 35 per cent East and 30 per cent West to 25 per cent East and 20 per cent West.

<i>Expenses</i>	\$142,784,357 48
Deficit	<u>\$ 16,092,901 76</u>

We now present Exhibit B, in which the actual results of 1921 are compared with a "restatement" showing the estimated results of handling 1921 traffic under present estimated operating conditions, but at rates adjusted to the Crowsnest pass scale and re-establishing other rates in effect prior to the 1920 increases.

EXHIBIT B

CANADIAN NATIONAL RAILWAYS

Restatement of 1921 operating results under present estimated operating conditions and under rates in effect prior to September 13, 1920—including reduction in rates resulting by application of tariffs formerly effective under Crowsnest pass agreement:—

Gross Earnings	Actual, 1921	Re Statement	Decrease from 1921, Actual
<i>Freight</i>	\$ 93,785,017	\$ 70,466,063	\$23,318,954
<i>Passenger</i> —			
Ordinary Fares	\$ 21,110,053	\$ 20,168,603	\$ 941,450
S. and P. Car Fares	1,817,938	1,224,796	593,142
Total Fares	\$ 22,927,991	\$ 21,393,399	\$ 1,534,592
<i>Miscellaneous</i>	\$ 9,978,447	\$ 9,978,447	.....
Total	\$126,691,455	\$101,837,909	\$24,853,546
<i>Operating Expenses</i>	\$142,784,357	\$128,305,000	\$14,479,357
<i>Deficit</i> :	\$ 16,092,902	\$ 26,467,091	Increase in Deficit \$10,374,189

Earnings.—The foregoing reflects the effect on the gross revenue of the Canadian National Railways of the rates stipulated by the Crowsnest pass agreement and with

[Mr. Hanna.]

the rates on all other traffic adjusted to comply with the requirements of the Board of Railway Commissioners' General Order No. 308 of September 9, 1920 (effective September 13, 1920), which included the following limitation:—

“As our jurisdiction for granting increases on certain lines of railway in Western Canada depends entirely upon the amendment to section 325 of the Railway Act, 1919, which expires on the 6th day of July, 1922, the rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provisions of that section. Therefore the rates herein provided for shall not extend beyond the first day of July, 1922.”

The re-stated figures, in other words, show the estimated results on the revenue of the National railways if the balance, 20 points west and 25 points east, of the general increases of 1920 were dropped, if the advances of 1920 on coal were removed, and the rates on grain and other commodities as specifically enumerated in the Crowsnest pass agreement were restored to the terms of that agreement.

The decrease in freight revenue, estimated at \$23,318,955, would be apportioned between the various classes of traffic substantially as follows:—

	Decrease
Grain and grain products west of Port Arthur.	\$ 8,606,453
Coal and coke (exclusive of coal from head of lakes).	484,843
Lumber and forest products.	1,728,114
Other building material (cement, brick, lime, plaster).	429,864
Potatoes.	125,000
Various basic commodities (ores, pig iron, scrap iron and fertilizers).	122,000
All other traffic, including Crowsnest pass miscellaneous commodities.	11,822,681
Total.	<u>\$23,318,955</u>

If preferential rates on special commodities were re-established through the application of the Crowsnest pass agreement, it is impossible to estimate what further reductions might occur or be ordered through such rates being held to be discriminatory. Such reductions might affect not only the rates on commodities in the Crowsnest pass territory, but might in practice apply to the rates on similar or analogous commodities throughout Canada.

The decrease in Passenger Revenue shown in the re-statement is the effect of the application for twelve months, instead of six, of the reduced scale of fares which became effective on July 1st, 1921. On that date all the general increase was removed that was granted by the Railway Board in September, 1920, i.e. of 20 per cent, one-half of which increase was removed on January 1st, 1921, the balance on July 1st, 1921, as per the terms of the original Order of the Board.

The re-stated figures also provide for the elimination of the balance of the surcharge on sleeping and parlour car fares, this having amounted to 50 per cent of such fares under the Board's Order of September 13th, 1920, but already reduced by one-half under the Commission's Order of December 1st, 1921.

The “re-statement” figures include no allowance for reductions on International or Interstate Freight Traffic. A reduction of 20 per cent, which is possible as the result of applications now before the Interstate Commerce Commission, would, as already stated, further decrease Canadian National Railways' gross earnings by approximately \$2,500,000.

“*Operating Expenses.*—Operating Expenses included in the ‘re-statement’ are made up by applying the reduced scale of wages for 12 months instead of 5½ months,” (that is, they became effective on the 15th July, 1921, and we are applying the

[Mr. Hanna.]

duction for the whole year in re-stating the operating expenses) "and also there are taken into consideration any known reductions in the cost of materials and supplies which may be counted upon as likely to reduce the cost of operation.

"In connection with Operating Expenses, materials, supplies and fuel are generally bought in a common market with the C.P.R. and comparative figures would therefore be largely similar; the conditions affecting compensation of various classes of employees referred to in Mr. Beatty's statements are generally applicable to Canadian National Railways, as we operate in the same territory and under generally standard conditions with respect to wages and working rules. We have therefore not thought it necessary to duplicate this information, but any details required will be supplied at request.

"The present difficulty would appear to be accentuated by the limitations surrounding the Board of Railway Commissioners as expressed in the terms of their Order above quoted, and it may be hoped that Parliament in its wisdom will pass such enactment as will permit the Board to make such rate readjustment as will, with justice to all, grant such relief as the circumstances seem to warrant."

Now, Mr. Chairman and gentlemen, Mr. C. A. Hayes, our Vice-president in charge of traffic, Mr. G. Stephen, our freight traffic manager, Mr. A. J. Mitchell, our Vice-president in charge of finance and Mr. Mallory, our statistician, are present here. If there is anything we can do to facilitate the preparation of such information as may be required, we will very gladly do it.

The CHAIRMAN: Gentlemen, do you desire to proceed with the evidence of Mr. Hayes before examining Mr. Hanna? I think I can assure you there will be an opportunity of having Mr. Hanna before us again. Well, Mr. Hanna informs me now that Mr. Hayes has no prepared statement to put before the Committee. Therefore if there are any questions members of the Committee would like to ask Mr. Hanna they may now be asked.

By Hon. Mr. Manion:

Q. Mr. Hanna, allowing for the decrease in freight rates and the expected decreases in expenses, I take it that in round figures the loss to the Canadian National Railways under this Crowsnest pass agreement is about \$10,000,000?—A. \$10,000,000 or more.

Q. I mean your loss would be about \$10,000,000?—A. Yes; instead of being \$16,000,000 as it was last year it would be \$26,000,000.

By Mr. Euler:

Q. Do you not think that the reduction would stimulate business to a considerable extent, to compensate for the loss?—A. There have been such statements made.

By Sir Henry Drayton:

Q. How does the movement compare in volume?—A. Hardly as good as last year up to the last of April. Since April the movement has increased somewhat, but in the aggregate, say to the second week in May, it is probably 1,200,000 tons less than a year ago.

Q. What is your information as to stuff being held?—A. We have on the Northern lines, the Transcontinental and the Intercolonial, large tonnage in the shape of forest products, pulpwood, lumber, etc., as well as in the Maritime Provinces.

Q. Which you think are not moving on account of high rates?—A. If we accept the shippers' statements, yes.

Q. What is your information?—A. There may be a question whether the market is there for the material to be sold.

Q. Subject to that consideration it is being held?—A. Yes.

Q. What about grain and flour in the West?—A. The outlook at the present time is more than encouraging.

[Mr. Hanna.]

Q. But having regard to last year's crop, what is being held back?—A. Very little. We have less than 5,000,000 bushels at Port Arthur and the primary elevators in the West are substantially lower than they were a year ago.

Mr. HAYES: It has dropped down to about 4,000,000 or 5,000,000 bushels in the last four or five weeks.

By Mr. Dickie:

Q. Prior to the last increase in freight rates we had a not quite satisfactory market in the Northwest from British Columbia, but your last raise put a great many mills out of business; as you know, there was very little lumber shipped after that. Do you not think it possible that the amount of lumber tonnage would in a measure compensate for at least part of the difference between the old rate and the new? The market was not good, but still we had a market for a certain amount of lumber in British Columbia, and that last raise put practically all the small mills in the country in which I reside out of business. Whether they would have gone out because of the market becoming bad anyway, I cannot say, but it had that effect at that time?—A. I would like to believe that, but I think the real facts are that the purchasing power of the prairies is not there; that the lumber was not required, or if it was required, they could not buy it in volume.

Q. Still, the demand ceased. We immediately stopped shipping lumber. All our sidings on Vancouver Island were filled with empty cars after that last increase came into effect?—A. You have some empty cars yet.

Q. We had some before?—A. (No answer).

By Mr. Shaw:

Q. The year 1921 was a very bad year, was it not, from the standpoint of business depression everywhere, and that would naturally be reflected in the earnings of railroads,—is not that right?—A. Yes and no; because it is a rather singular fact that amongst all the large roads in the United States and Canada the Canadian National Railway was the only railway that showed an increase in gross earnings, a very modest one, but an increase of over a million dollars. That was the position of the Canadian National Railway figures.

By Mr. Euler:

Q. How do you account for that?—A. Probably we got a little more than our share of the business.

By Mr. Shaw:

Q. Is there any reason?—A. I will grant you, Mr. Shaw, that there was quite a depression in certain lines of industry, but our movement of grain was substantially higher during the season than the previous year, and that helped us out substantially.

Q. What I wanted to ask your judgment about is this: Is it not true that a high freight rate would have the effect of increasing that business depression?—A. I would not like to be committed to a flat statement of that kind. I daresay that in certain basic commodities, perhaps a reduction in freight rates would have the effect of stimulating business, but I would not accept the statement that a reduction in some of our class rates would have much effect on the price of a straw hat or a suit of clothes. I am speaking of basic commodities such as those I have enumerated.

Q. Let us take the commodities mentioned in the agreement, which I think you will admit are, generally speaking, basic commodities?—A. Yes.

Q. Would it not be so that if the Crowsnest pass agreement went into effect on the 6th July next it would have the effect of stimulating business in those particular industries represented by those basic commodities?—A. It would not stimulate business so far as grain products are concerned, because that is predicated

[Mr. Hanna.]

upon the extent of the crop itself, the crop we have to move; but it may have an effect on some other basic commodities; I think it would. I cannot see that it would have an effect on the miscellaneous business.

By Mr Macdonald:

Q. What effect would it have on the rest of the country if the rates had to go up in order to make up the \$10,000,000 deficit?—A. I throw up my hands there.

By Mr. Michaud:

Q. I have a letter from lumber merchants in the Maritime Provinces informing me that they have millions of feet of lumber ready to be shipped. That lumber was cut in the years 1919 and 1920 at a very high cost indeed. Now they are waiting for a lower freight rate in order to be able to ship their lumber. They are actually losing per thousand feet between 35 per cent and 40 per cent. That lumber is lying along the railway line waiting to be shipped, and I am informed that it can be sold at a big loss to the shippers. We want to know if it is the intention of the Railway Commission to lower that rate and give these lumber merchants an opportunity to export their lumber. In addition to that, we have not cut any lumber this year, practically, because we have that old lumber on hand, and labour is waiting for work and the merchants are waiting to ship their lumber. We want to know from the Railway Commission if there is going to be an opportunity afforded to ship that lumber?—A. I will ask Mr. Hayes to discuss that lumber situation, because he is very conversant with the figures.

The CHAIRMAN: Will you please answer that question, Mr. Hayes?

Mr. HAYES: You are speaking, I suppose, largely with respect to the lumber in the eastern territory, Mr. Michaud?

Mr. MICHAUD: Yes, the Maritime Provinces.

Mr. HAYES: So far as the movement from that section is concerned, a large proportion of it would seek the New England or the American market. As Mr. Hanna has stated in his memorandum, we are powerless at the present time to make any reductions in the rates to points in the United States, but we have suggested here quite a material reduction in the rates of lumber to the markets within Canada, and to the extent that such a reduction might help the shippers to whom you refer, such a reduction as you would put into effect would be of assistance. But I want to make it clear, so that you will not be disappointed, that so far as the rates to the United States are concerned, we are powerless to-day to make any changes by reason of the attitude that the American railways assume. They are not prepared to join with us in reducing rates. They have had extensive hearings, extending from early in the year up to the end of March, from shippers in the United States, but as yet there has been no judgment rendered to give us an idea of the attitude of the American railways with respect to joining with us in making a reduction of international rates.

Mr. MICHAUD: Is it not a fact that the high rate on freight in the western parts of Canada tends to take all the freight from the western Prairie provinces and British Columbia to the Panama Canal to be shipped by water to the European markets?

Mr. HAYES: Do you refer to lumber?

Mr. MICHAUD: Any commodities.

Mr. HAYES: There are many commodities today that are moving from the Pacific coast to the Panama Canal and by water at such rates that the railway companies could not undertake to handle overland from the Pacific to the Atlantic and then by ocean route from the Atlantic.

The CHAIRMAN: He means the Atlantic to Pacific movement.

Mr. HAYES: I thought he was referring to the movement from the Pacific coast to the Panama Canal?

[Mr. Hanna.]

The CHAIRMAN: He asked if the transcontinental rate is so high now that east to west traffic is forced to go by the Panama Canal.

Mr. HAYES: I would not say so, particularly from Canadian points. I think the rates on such commodities as are moving from eastern Canada to the Pacific coast have been adjusted so as to protect fairly well the movement overland.

By Mr. Hanson:

Q. Would Mr. Hayes be good enough to tell the Committee what the proposed suggestion is with regard to a reduction on lumber in interprovincial traffic? I did not catch his statement.

Mr. HAYES: I would say speaking of Canada generally that the rate would approximate between sixteen per cent and seventeen per cent.

Q. That would mean how much per hundred?

Mr. HAYES: It would vary according to the amount of the rate.

Q. From the lower provinces to Montreal Mr. Beatty suggested eleven per cent I think in his statement. Yours is a little larger than that.

Mr. HAYES: Ours would I think be somewhat larger than that.

By Hon. Mr. Manion:

Q. Did I understand Mr. Hanna to say that the rates on the American roads were still a little higher generally speaking than on the Canadian roads?—A. Yes.

By Sir Henry Drayton:

Q. Can you give us any general information as to what is the difference between the Canadian and American rates with regard to the Crowsnest pass agreement? Take the American rates on grain and flour, for instances?—A. At the head of the lakes?

Q. Yes.—A. I have not any figures on that with me.

Q. Duluth on the one side and Fort William on the other.

Mr. HAYES: The rates in the past have been adjusted mile per mile. The rates are substantially the same, but our rates have been deflated.

Q. Is the Canadian rate lower?

Mr. HAYES: Our rates have been deflated. They are lower today than the American rates, but I would not say generally without the figures.

By Mr. Macdonald:

Q. On grain?

Mr. HAYES: Yes.

Sir HENRY DRAYTON: I think you had better put in a statement showing that on similar commodities.

By Mr. Euler:

Q. Mr. Beatty on Friday made the statement that his road would prefer, and he suggested it would be in the general interests as well as in the interests of the railway company, that a reduction be made on basic commodities rather than that the rates of the Crowsnest agreement be revived. I would like to ask Mr. Hanna what his opinion is with regard to that, as to how it would affect the National Railways?—A. It is this limitation clause of the Board of Railway Commissioners that is the serious factor in this. Unless Parliament in its wisdom removes that limitation and sticks closely to the Crowsnest pass agreement our figures are as stated. We would be prepared similarly to the C.P.R. as a matter of settling the question to set up basic commodity rates along with the C.P.R., if it would settle the matter.

Q. Would that be in the general interests as well as in the interests of the railroads?—A. It is not in the interests of the railroads.

[Mr. Hanna.]

By the Chairman:

Q. You mean as compared with the Crowsnest pass rates?—A. Certainly.

By Mr. Euler:

Q. Would that give you less money or more money?—A. More money.

By the Chairman:

Q. What would be the effect upon the nation generally?—A. If we set up basic commodity rates along the lines I have named, and which are said to be able to stimulate business, we could stand those rates in the hope that business would be stimulated. If that was all that was expected to be done under the Crowsnest pass agreement, those, I take it, were the figures that Mr. Beatty set up in his statement.

By the Chairman:

Q. That is, there would be a greater expectancy of stimulation in trade if you made a reduction nation-wide on basic commodities than if it was restricted to a section?—A. Quite so.

By Mr. Euler:

Q. And the railways would not suffer much loss?—A. Not to the same extent, provided it gives greater relief to the industries that are handling those raw products. It is claimed that the rates are a very serious factor in their movement.

By Mr. Halbert:

Q. Lumber is considered a basic commodity, is it not?—A. Yes.

Q. Do you not think that the rates to-day on lumber are prohibitory and are reducing the revenues of the railway companies? I have a statement from a lumberman with regard to four cars from British Columbia to Toronto and he says that after paying the freight charges and switching charges and so on, which I have detailed here, the millman receives from \$4.35 to \$5.80 a thousand for his lumber. Under those conditions it is prohibitory for a lumberman to ship. He could not continue to ship under those conditions.

Mr. HAYES: A settlement based upon the suggestion made by the previous member (Mr. Euler) would have the effect of reducing all rates.

Mr. EULER: Among basic commodities.

Mr. HAYES: Yes, among the basic commodities.

By the Chairman:

Q. In other words, you do not undertake to say what will be the economic effect of a reduction of freight rates?—A. No, sir.

Q. It may stimulate trade, but you cannot be certain. Is that what you mean?—A. That is my view.

The CHAIRMAN: Because there must be the consumers first.

By Mr. Euler:

Q. I was trying to get at the relative merit of the two proposals; if the Crowsnest pass agreement comes into force again, or the alternative one of making a reduction on basic commodities if the Crowsnest pass agreement does not come into force. That really means a modification of the old agreement, in effect.—A. We are quite in accord with the reduction on basic commodities.

Q. You agree with Mr. Beatty in that respect?—A. Yes, sir, we do.

By Mr. Halbert:

Q. From the statement I have here, which I received from a lumberman, I see that on the first carload, No. 118,934, the millman received \$5 a thousand at Toronto

[Mr. Hanna.]

and the railway company received \$23 a thousand. That was on December 5, 1921. On December 6, car No. 211,051, the millman received \$5.80 $\frac{3}{4}$ a thousand and the railway company received \$22.19 $\frac{1}{2}$. On December 18, 1921, car No. 134,244, the millman received \$5.67 and the railway company received \$21.33. On December 28, car No. 210,000, the millman received \$4.35 $\frac{1}{2}$ a thousand and the railway company received \$22.67 $\frac{1}{2}$.

The CHAIRMAN: He is better off than Mr. McConica was on his shipment of wool last year.

Mr. HALBERT: Under those conditions it is prohibitory to ship lumber.

By Mr. Macdonald:

Q. Lumber is not included in the Crowsnest agreement?—

Mr. HAYES: No.

Q. Then it would not be remedied by a renewal of that agreement?

Mr. HAYES: No.

By Mr. McConica:

Q. I understood from your statement as to the amount that the deficit would be increased by, you figured a large number of commodities not included in the Crowsnest pass agreement?—A. Yes.

Q. And you cover a large territory that is not included in that agreement?—A. Yes. We are covering it, I repeat, because of the fact that if nothing is done with the rates by the 1st July the whole freight structure is shot to pieces under this order of the Board of Railway Commissioners.

Q. Your figures would mean that if the Crowsnest pass agreement were reinstated, those reductions would take place on all those commodities all over the Dominion. Is that the idea?—A. Quite so.

By the Chairman:

Q. All over the Dominion?—A. Yes.

By Hon. Mr. Stewart:

Q. In the event of the Crowsnest pass agreement not being revived as a result of the failure of the House to pass any legislation, what would be the effect on other classifications established than those included in the agreement?—A. Mr. Hayes can tell you that. He will tell you that every tariff in existence would be shot to pieces.

Mr. HAYES: Mr. Hanna read a quotation from the order of the Board of Railway Commissioners to the effect that "as our jurisdiction for granting increases on certain lines of railway in Western Canada depends entirely upon the amendment to section 325 of the Railway Act, 1919, which expires on the 6th day of July, 1922, the rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provision of that section.

Q. Assume that Parliament does suspend it and an arrangement is made with reference to basic commodities—and there has been a definition of basic commodities before this Committee—what would be the effect upon other freight classifications, manufacturing goods, for instance? That is, it is apparently in the contemplation of the two roads to reduce freight rates on basic commodities if the Crowsnest pass agreement is not revived. If that is done, what will be the effect upon other classifications, manufactured goods for instance?

Mr. HAYES: Certain of the basic commodities will help the manufacturer in that he is getting in those items that we have listed much of his raw material at a lower cost; that is, if freight rates have any effect upon his costs, if coal is an important item or pig iron.

Q. I understand that, but that is not the point I am getting at. Allowing for that, what would be the result—would there be a reduction in the tariff or in the

[Mr. Hanna.]

rates on manufactured goods, or would it be likely to increase for the purpose of taking care of reductions to the same extent that might be made on basic commodities?

Mr. HAYES: I think our idea would be to allow those rates to which you refer on miscellaneous commodities to stand on the order of the Board of Railway Commissioners of December 1st last which reduced the rates by ten points. That is, we dropped a total of fifteen points on December 1st last. On those miscellaneous commodities I think it would be our idea that the rates should remain on that basis for a time.

Q. That is, that they will have reached bottom, so far as reduction is concerned?

Mr. HAYES: Yes.

Q. And in volume, can you state approximately what volume is represented by what you class as basic commodities and what would be classed in the other tariff; whether there would be no reduction?

Mr. HAYES: Well, I do not know that we have the figures taken out in such a way. I do not know that we have the figures that we can exactly answer Mr. Stewart's inquiry. You put it from the standpoint of revenue or tonnage, as to the effect upon our earnings. If you can give it to us both having regard to revenue and tonnage it would be better; we should have it both ways.—A. I would say as to the effect upon our earnings.

Q. That would be the real test?—A. There would be possibly a difference of between eight million and nine million dollars.

Q. In percentage, what?—A. Percentage of the gross earnings of last year?

Q. Yes.—A. That would be about ten per cent.

Q. That is what? What do I understand that is now?—A. \$95,000,000 is our gross of last year, and we have a statement that we made rather offhand that the difference in the effect upon our gross would run between eight and nine million. That would be about ten per cent.

Q. That is not the point I am trying to get at. What I was wanting to get at was what was the relative percentage represented by either your tonnage or your gross, as between what you class as basic commodities and what are not classed as basic commodities, what you would class as basic commodities if the Crowsnest pass agreement were not revised.—A. We would have to take out some figures.

Q. You could not give it to us approximately?—A. We have a draft of that, what we handled in 1921. 21,182,000 tons of freight of one kind and another. Under what we call merchandise and miscellaneous freight we handled over two million tons. That would mean ten per cent.

Q. Of your total business?—A. Of our total tonnage. The others would not be all basic commodities. It would probably mean about three million tons, two and one-half to three million tons would be affected out of the twenty-one million tons.

Q. Having that in mind, would you tell us what the percentage on revenue would be? What is the percentage on the cost of carrying those two classes?—A. We will make a note of that and we will get that figure as far as we can, Mr. Stewart. We don't keep the revenues by commodities. We just keep the tonnage.

Q. What would your opinion be, or the opinion of Mr. Hayes, or whoever knows—what would be the opinion as to the relative revenue as compared to the relative tonnage?—A. Well, Mr. Hayes estimated about ten per cent. I think that probably would be right.

Q. That is in tonnage?—A. No, sir, in revenue.

Mr. HAYES: I endeavoured to answer the question from the standpoint of what we would save or what percentage would be represented in the saving if rates on those other commodities were not reduced to the basic, to the same basis as the basic commodities and I hazarded the statement that we would probably save between eight and nine million dollars, which, of our gross of last year, would be about ten per cent.

[Mr. Hanna.]

By Mr. McMurray:

Q. Just a question, Mr. Hayes; did I understand you to say that if the Crowsnest pass agreement were put into force, the rates all over Canada would fall?

Mr. HAYES: No.

By Mr. McMurray:

Q. What were you reading from there a minute ago?—A. I was reading from the order of the Board of Railway Commissioners of September, 1920. Under the order, the railways of Canada were granted original increases of forty per cent on freight revenues in the east and thirty-five per cent in the west, but in granting that increase, the Board included in its order this quotation which Mr. Hanna has read to you, which says that as a result of the Crowsnest pass agreement obligating the Canadian Pacific Railway to maintain certain rates by reason of subsidies granted to them in past years. That by reason of that agreement the rates hereby established cannot continue. All rates.

Q. They would fall all over Canada?—A. They would fall all over Canada on the first day of July, 1922.

Q. By reverting back to that old agreement, all rates in Canada would fall?—A. By reason of that agreement.

By the Chairman:

Q. You mean the rate structure would fall and the Commission would have to go to work and revise them all over again?

Mr. HAYES: Yes.

By Mr. Macdonald:

Q. You would have to revise them all over again.

Mr. HAYES: Yes.

By Hon. Mr. Manion:

Q. I just wanted to ask: it goes without saying that the proposition of the Crowsnest pass losing to the company if it is put into force, say roughly, ten million dollars, that the proposition you would put up to take the place of it would naturally not lose to the company that much?

WITNESS: Quite so.

Q. Could you estimate roughly to us what proposition you would probably put up. I mean what alternative you would put up to the Committee in place of the Crowsnest pass if the Crowsnest pass agreement were not put into force?—A. We will be very glad to get figures on that basis to submit to you at a subsequent meeting. As I understand, you are asking us to submit an idea of the revenues that the railways would lose predicated on the reduction of basic commodities, enumerating the various commodities.

Q. An alternative to the Crowsnest pass agreement?—A. Yes.

By the Chairman:

Q. Do I understand you to say that the Crowsnest pass agreement, the revising of it, becomes applicable to the whole of Canada, that is on the products mentioned on the agreement. I thought you said that. I did not think it was correct?—A. No.

Mr. HAYES: It is predicated on the Board's limitation.

By the Chairman:

Q. That is the rate structure, as I understand you to say, if the Crowsnest agreement is revived, the rates referable to those products would be applicable throughout Canada?—A. No.

[Mr. Hanna.]

Hon. Mr. STEWART (Lanark): In the whole of Canada the Board would hold it should discriminate in favour of the Crowsnest point and consequently there would have to be a corresponding reduction in all other points that stood practically on the same basis; either that or there would be discrimination, which is the basis of the agreement, and there would be discrimination, which is the action of the Board of Railway Commissioners.

By Mr. Macdonald:

Q. Do you agree if this Crowsnest agreement which is applicable to the C.P.R. was renewed and continued that the whole rate effect would also apply to your railway?—A. Yes. This map shows the Crowsnest situation and it shows where the Canadian National Railways come into that same area and the effect of this limitation of the Board of Railway Commissioners on that Western country.

Q. In other words you would not be able to get traffic out there in competition with the C.P.R. unless you took the Crowsnest pass rates?—A. No.

By Mr. Archambault:

Q. What is the total mileage of the National Railways affected by the Crowsnest pass agreement?—A. When the Crowsnest pass agreement became effective in 1898 there was only in the western country a modest little railway known as the Lake Manitoba Railway and Canal Company, of one hundred miles operating from Gladstone to Dauphin.

Q. I understand the total mileage of the C.P.R. affected by the Crowsnest pass agreement is 7,300 miles. That was the answer that Mr. Beatty gave. I would like to know what is the total mileage of the Canadian National Railways affected by the Crowsnest pass agreement.

Mr. STEWART (Lanark): There will be none, as a matter of fact.

WITNESS: We would not be affected unless such lines as have been built to the Crowsnest pass area subsequent to at the date of the agreement. If we were to operate within the Crowsnest pass area, the C.P.R. having one set of figures and the Canadian National having another set of figures, we would come out at the small end of the horn.

By Hon. Mr. Manion:

Q. You are affected by competition, not by law?—A. Yes.

By Mr. Archambault:

Q. I suppose the Crowsnest pass area on which the Canadian National Railways are circulated is the same as the C.P.R. total mileage.

By Mr. Macdonald:

Q. What is your total mileage west of Lake Superior?

Mr. HAYES: Practically ten thousand miles.

WITNESS: Ten thousand miles west.

By Mr. Shaw:

Q. As I understand you, as a matter of law, the Canadian National is not affected by the Crowsnest pass agreement at all, but as a matter of fact the entire system will be affected by the revival of the Crowsnest Pass agreement?—A. Yes.

By Mr. Halbert:

You mean the Crowsnest area?

Mr. SHAW: Not in all Canada.

[Mr. Hanna.]

By Mr. Halbert:

Q. Does not the Board of Railway Commissioners rule there could not be any discrimination between the rates and consequently it would have had to go under a similar?—A. It is impossible in any other situation.

By Mr. McMurray:

Q. The whole matter, then, I understand, will go into the hands of the Railway Commissioners?—A. Yes.

Q. Then these reductions you are going to make on basic commodities will have to be made by recommendations to the Board of Railway Commissioners?—A. I don't think that is correct. I stated if you don't do anything with Section 325 or allow it to lapse, then I repeat that the whole rate structure of Canada is shot to pieces. I think I am correct in making a statement of that kind.

By Mr. Macdonald:

Q. What is the alternative?—

By Mr. McMurray:

Q. Where is your alternative? How are you going to get that alternative?—A. It has been suggested we draw up a statement which we will prepare and put before the Committee at another meeting of a series of basic commodities suggesting reductions and the effect of these reductions on the revenue of our Company and I suppose the C.P.R. will do the same thing, showing the effect of it on their revenue as a counter proposition to this tremendously disturbing factor.

Q. That all goes before the Board of Railway Commissioners to be made law?—A. What we say, our present difficulty would appear to be accentuated by the limitations surrounding the Board of Railway Commissioners as expressed in the terms of the Order above quoted. Then I say it may be hoped that Parliament in its wisdom will pass such enactment as will permit the Board to make such rate adjustment and grant such relief as the circumstances seem to warrant.

Q. In suggesting those reductions, how do you arrive for instance, at the 16 per cent? We had a suggestion the other day from Mr. Beatty of 11.7 per cent. You suggest 16 per cent?—A. Our view of it is, in looking over the rates, what we had in mind was that Mr. Beatty was too modest in the suggestion of reduction. I think the reduction is more. I think the percentage is more, although it may not amount to any more money.

By Mr. Macdonald:

Q. It would be open to the Railway Commission to fix that on investigation, as to what would be reasonable?—A. Quite so.

By Mr. McMurray:

Q. How do you arrive at that amount of 16 per cent?—A. Mr. Hayes will better explain that. He eats and sleeps with tariffs.

By the Chairman:

Q. I wanted to put one question to you: is it your judgment that in the interests of your railway, that is the Canadian National Railway?—A. Our Railway, and the nation's interests that the Crownsnest pass agreement should be further suspended, that is that the Crownsnest whole issue should be suspended? What is your judgment upon that?—A. Our judgment would be that it should be further suspended and that the whole question be relegated back to the Board of Railway Commissioners.

By Mr. McConica:

Q. As I understand, if this Crownsnest pass agreement comes into effect again, these railway rates will be adjusted by the Railway Commission in accordance with
[Mr. Hanna.]

the provisions of that agreement, they will not? They won't cease to function, will they?—A. They will cease to function until you function here and put them in position to do it.

Q. Suppose we don't function.

The CHAIRMAN: I asked at the beginning of the meeting that conversation between members should stop as much as possible. We must insist upon that.

By Mr. McConica:

Q. If the Government failed to abrogate that agreement and the Railway Commission ceased to adjust rates, would they cease to adjust them in accordance with the terms of that contract?—A. Automatically we would have to go back to the rates that were fixed.

Q. And they would still fix rates automatically?—A. Yes.

Q. And the railroad rates of the Dominion would be adjusted in accordance with the terms of that agreement?—A. Quite so.

Q. And the entire Dominion would then be affected?—A. Surely.

Q. In making up that schedule of loss, you figured the entire Dominion as contributing to the deficit?—A. Yes.

By Mr. Jones:

Q. Do you not think that all special rates should be scrapped or abandoned?—A. That is a pretty full order so early in the morning, Mr. Jones.

Q. Referring to this lumber situation, I might say, knowing a little about the reduction of the manufacture of lumber in Eastern Canada, that there is no industry in the Dominion of Canada that has been hit so heavily or so suddenly as the lumber industry or forest products industry. Practically over night the price of pulp and manufactured lumber of all kinds was cut in two. In other words, it dropped from about \$45 to \$50 a thousand down to \$20 to \$25 for lumber in its rough state. I believe it would be in the interests of the National Railway especially if we had a reduction in freight rates from the Maritime Provinces to Montreal and Toronto. I believe your freight earnings from that district would be double what they are at the present time if the suggested reduction were put into effect. In place of your hauling trains half loaded you would have them fully loaded. The rate along your old Intercolonial Railway from St. John and Moncton to Montreal was doubled. I believe in the interests of everyone, and especially in the interests of the farmers in the Maritime Provinces who largely rely upon the lumbermen for the use of their products, these rates should be reduced. If a reduction were made, it would help not only the lumber industry but the farmers also in the Maritime Provinces.

Mr. MICHAUD: There is the Transcontinental Railway waiting for that freight.

By Mr. Jones:

Q. The freight rate at the present time from St. John and Moncton to Montreal is 29½ cents, while the rate to Boston or New England points is only 31½ cents. Of that haul your railway would have 75 miles, and the balance of that haul to New England points is by C.P.R. or the New England railways. If you made a reduction in the interprovincial freight rates to shippers of lumber to Montreal and Toronto—my own firm has been carrying on that business for the past twenty years—I think it would greatly increase the revenue of the C.N.R.?—A. Of course, Mr. Jones, you must not lose sight of the other side of the question. The placard outside this room states: "Transportation Costs Committee." What about the cost of doing this business? How are we going to get the rates down? We are paying more for lumber to-day than we paid in 1914 or 1908.

Q. Yes, and your freight rates are double?—A. More than that, there is the increased cost of manufacture even in your own business. You are paying more money to-day than you did years ago. To-day we pay 90 cents for a tie; I have bought millions of ties just as good at 25 cents per tie.

[Mr. Hanna.]

By Mr. Macdonald:

Q. What do you estimate to be the increased cost to the Canadian National Railways by reason of the wage increases which were put into effect as the result of the McAdoo Award and the Chicago Labour Award?—A. About sixty-four cents on every dollar.

Q. What is the total amount in millions? How many millions has it added to the cost of operation?—A. Mr. Mitchell can give you that. We pay out sixty-five cents—

Q. What is the total increase in millions of dollars in your pay-roll as the result of those two awards?—A. Mr. Mitchell can give you that. I was going to say that for every dollar we earn we pay out in wages an average of sixty-five cents.

Q. I want to find out how much your pay-roll was increased as the result of those two awards?—A. We will have a statement prepared on that basis.

By Hon. Mr. Manion:

Q. The general statement was made by some Western papers that the increase in rates on these basic commodities in the Western country due to the increases since 1915 amounts to 50 per cent?—A. That is not correct. As a matter of fact, our analysis, taking the 1921 figures which represent a pretty fair crop, shows the difference on the grain rates to be about one-third.

Q. I am speaking of the general increase. In looking over the figures given here I notice that some are absolutely 50 per cent over 1914, others are 30 per cent and others a little over 50 per cent. What would you say is the general increase over the Crowsnest pass agreement rates, taking all the basic commodities together?

Mr. HAYES: We may be able to work up something for you in that connection which will indicate what the general average percentage of increase has been.

By Hon. Mr. Manion:

Q. A Calgary paper sent out a good review of this question, and said that the general increase amounted to 50 per cent. Upon checking that statement up with the figures given by the Railway Board of Commissioners it is found that the increase is 50 per cent between 1915 and the present time.

Mr. HAYES: One unit of comparison would be the rate per ton per mile.

By Hon. Mr. Manion:

Q. We know that everything has increased a great deal. I think it might be of great assistance to all of us if you would estimate as accurately as you can what the general increase has been, taking wheat and coal and various other commodities which are dealt with in the Crowsnest pass agreement, and also show how much greater are the present rates than those obtaining in 1914.

Mr. MACDONALD: In percentage?

Hon. Mr. MANION: Yes.

Mr. MACDONALD: Mr. Beatty furnished a schedule of that the other day, but not in percentages.

Mr. HAYES: We have the separate rates, but have not the average worked out. Do you want specific commodities?

By Hon. Mr. Manion:

Q. No; I was thinking of the general increase. I have seen the statement that the increase is roughly 50 per cent over the Crowsnest pass agreement rates, and I thought you could furnish the Committee with a fairly accurate estimate of that increase.

By Hon. Mr. Stewart (Lanark):

Q. The Crowsnest pass agreement provides for the eastward movement of grain and flour and also provides for the westward movement of other classes of commodities.

[Mr. Hanna.]

Would it be possible to prepare a statement of the relative volume of the eastward movement of the commodities included in the Crowsnest pass agreement, and also the volume of the westward movement of the other classifications set out?—A. It would be a very difficult task, involving an examination of tens of thousands of way bills.

Mr. MACDONALD: Mr. Mitchell, could you give us the figures as to the extra cost of labour?

Mr. MITCHELL: Yes.

The CHAIRMAN: Please do so, Mr. Mitchell.

Mr. MITCHELL: Do you wish me to give you the total, or the individual rates?

Mr. MACDONALD: The total increased cost of operation of the railway as the result of these two awards,—in dollars and cents?

Mr. MITCHELL: The increase to the Canadian National Railways, including the Canadian Northern Railway and the Canadian Government Railway, as the result of the original McAdoo Award was \$8,678,148.44. Under the supplements to the McAdoo Award the increase amounted to \$13,012,954.92. Then the increase under what is known as the Chicago Labour Award amounted to a further increase in the payroll of the National System of \$16,390,895.58, making a total of \$38,081,998.94.

By Mr. Euler:

Q. For what period?—A. That is taking the average payroll or the average number of hours worked for a yearly period prior to the McAdoo Award coming into effect, and applying the new rates to that payroll.

Q. For one year?—A. Yes, for one year. By the reduction that came into effect last fall that payroll would be reduced by approximately \$10,000,000.

By Mr. Macdonald:

Q. Which would make it \$28,000,000.

Mr. EULER: \$38,000,000.

WITNESS: \$38,000,000.

By Mr. Macdonald:

Q. You said the increase amounted to \$38,000,000 odd and the reductions last fall amounted to approximately \$10,000,000?—A. Yes.

Q. Which would make the increase today \$28,000,000?—A. Taking as the basis the number of hours worked for the yearly period, on which we base the increase.

By Hon. Mr. Stewart:

Q. Does that include the Grand Trunk Pacific?—A. No, it includes the Canadian Northern Railway and the Canadian Government Railways, or what was known as the Canadian National Railway at the time the illustration was obtained.

Q. You would also know about the Grand Trunk Pacific?—A. I will be glad to file a statement including everything.

Q. Including the Grand Trunk, too?—A. Yes.

By the Chairman:

Q. Mr. Hayes, can you tell me the grain freight rate from Edmonton to Vancouver last season?—A. Yes.

Q. And if you have any other western points you may mention them, too?—A. You said, "for last season." I think my figures simply give the present rate. The rates became effective on January 19, 1922. From what point to Vancouver do you wish to know the rate?

Q. From Edmonton and other far western points?—A. From Edmonton to Vancouver the rate was 31 cents per hundred pounds. From Vegreville, 33½ cents per

[Mr. Hanna.]

hundred pounds. Vermilion to Lloydminster, 35 cents; North Battleford, 37 cents; Saskatoon, 39½ cents. That is about as far east as we go.

By the Chairman:

Q. Would you give me a copy of that statement?

Mr. HAYES: Yes, I have set in here the corresponding rates from Port Arthur.

The CHAIRMAN: That will be published as an exhibit.

RATES ON GRAIN TO VANCOUVER AND PORT ARTHUR

From—To	Vancouver (For Export)		Port Arthur	
	Distance in Miles	Rate in Cents per 100 lbs. W-135-A Jan. 19, 1922	Distance in Miles	Rate in Cents per 100 lbs. C.N.R. W-133-A Feb. 1, 1922
Edmonton, Alta.	768	31	1,232	36
Vegreville, Alta.	841	33½	1,193	36
Vermilion, Alta.	898	35	1,136	36
Lloydminster, Alta.	938	35	1,096	36
North Battleford, Sask.	1,023	37	1,011	35
Saskatoon, Sask.	1,085	39½	911	33½
Camrose, Alta.	824	33½	1,205	37
Stettler, Alta.	881	33½	1,262	37
Hanna, Alta.	978	36	1,174	37
Kindersley, Sask.	1,114	36	1,037	36

Office of Freight Traffic Manager,
Canadian National Railways,
Toronto, Ont., May 20, 1922.

By Mr. Macdonald:

Q. Have you looked at the statement on pages 34 and 35 of the first report of the proceedings showing the rates on coal to various western points and also the rates on coal between various eastern points.

Mr. HAYES: Yes.

Q: Referring first to statement 21 on page 35, I notice that the figures given here by way of comparison—they come from the Board of Railway Commissioners—only give a comparison of rates between 1917 and 1920, and with the exception of Newcastle, Truro and Mulgrave—Truro and Mulgrave are in Nova Scotia, and have to be considered anyway in connection with the coal movement—Newcastle is the only point on your railway that is given. The others are on the C.P.R. with the exception of Mont Joli and St. Hyacinthe, which is a common point. I have here a statement prepared on the question of coal rates from 1914, showing a comparison between the years 1914 and 1922, and I am going to ask you to look through this statement, and if you find it correct, to hand it to the Committee with the view of having it published. I want to call your attention to the fact that from coal shipping points in my county between Stellarton and Moncton the rate in 1914 was \$1.02 per ton, while in 1922 it was \$2.24 or an increase of one hundred and twenty per cent. The rate between that point and Levis, Quebec, in 1914, was \$2.01, and in 1922 it was \$4.14, or an increase of one hundred and six per cent. The rate to Montreal in 1914 was \$2.01½ and in 1922 it was \$4.59, or an increase of one hundred and twenty-eight per cent. I want you to verify these figures, and I would like to call your attention to the fact that in statement No. 20 on page 34 of the report, you gives the rates there, or rather the Board of Railway Commissioners give the rates on coal in car loads from Lethbridge to various points in Western Canada, and the rate to Maple Creek is 205 in 1912 and 160 in 1914 and 230 in 1920. These figures as between 1914 and 1920 show that the percentage of increase in the west was very much less than what it was in the maritime provinces.

Mr. HAYES: Shall we put in the miles?

[Mr. Hanna.]

Mr. MACDONALD: The mileage, yes, from Lethbridge to those points there.

Mr. HAYES: And also from the maritime provinces.

Mr. MACDONALD: Yes. In that connection I would like to ask a question. It is quite clear, Mr. Hayes, that as regards the Government railway from Montreal to Sydney and intervening points, those rates are entirely under the control of the Canadian National Railway, and that it is not necessary to go to the Railway Commission to fix them?

Mr. HAYES: From Montreal east, no.

Q. I would like to call your attention in connection with the complaint from the lumbermen, that there is no reason why you should not make a reduction on their rates entirely apart from the Crowsnest pass agreement or apart from the Railway Commission.

Mr. HAYES: I do not know that we could reduce joint rates with other railways.

Q. You have no joint rates at purely local points on your own railway?—A. No, not east of Montreal.

Q. Any point between Sydney, Stellarton or Springhill Junction up to Montreal is entirely under your control, and the rates could be reduced without any reference to this general question altogether, and if reduced rates increase traffic, as you think, this might be done?

Mr. HAYES: You have to keep in mind the costs east of Montreal.

Q. We know in the maritime provinces that this one hundred per cent increase on the rate on coal, and I think the thing would figure out the same way in regard to lumber, is a great deal more than what the increase has been on the same commodities in the west.

Mr. HAYES: We will put in the miles.

Mr. MACDONALD: I will give you that statement with regard to basic commodities like steel and iron to verify.

Mr. HAYES: Alright.

The CHAIRMAN: Make it clear to Mr. Hayes what you want.

By Mr. McConica:

Q. You mentioned in your statement in one schedule an item arising from an international livestock shipment?—A. Yes.

Q. Is that any considerable item in the problem now before us? Have you any considerable amount of that kind of business now?

Mr. HAYES: Of course the duty imposed by the United States has affected the volume of business, but there is still some movement.

Q. But it is in no such amount as in former times?

Mr. HAYES: You mean the percentage of reduction? I think it has been cut down two-thirds since the duty went up.

Q. I would like to have your opinion, if Parliament thinks proper to abrogate the Crowsnest agreement as to whether it would not be well to wipe out some agreements with regard to the eastern part of Canada?

Mr. MACDONALD: We have no agreements in the east that have ever been observed.

By Hon. Mr. Manion:

Q. Can you tell me—it has really no particular bearing on this question—what amount of wheat has been shipped to Vancouver and by the Panama Canal to Europe, say in the past year? Have you those figures?—A. About four and a half million bushels I think.

Mr. HAYES: We have handled I think about seven million bushels all told by the two railroads, something over seven and a half million.

[Mr. Hanna.]

Q. That went round by the Panama Canal?

Mr. HAYES: Yes.

By Hon. Mr. Stewart:

Q. You said by both roads?

Mr. HAYES: About seven million bushels were handled through Vancouver, and it was divided about even between the Panama Canal and the Orient.

Q. On both roads?

Mr. HAYES: Yes.

By Hon. Mr. Stewart:

Q. Mr. Hanna estimated a certain loss to the Canadian National Railways through the coming into force of the Crowsnest pass agreement, but he did not take into account any possible increase in traffic due to the lowering of rates?—A. No.

Q. There would be some increase in traffic?—A. We have built up our figures on 1921.

Q. I understand that but do you or do you not suppose that there would be a greater traffic than that of 1921 because of the lowering of rates?—A. We are hopeful of it.

By Mr. Fansher:

Q. Do you anticipate a larger Canadian traffic from the fact that certain products are going to be shut out of the United States largely by an increase in the product? Will not that make a larger haul and a greater tonnage haul on Canadian roads?—A. That is a difficult question to answer because I think it has already been explained in other committees here that the western movement of grain has three distinct movements. So far as the western farmer is concerned, his interest largely ceases when the grain gets to Port Arthur or Fort William. The export man comes in then. It is either domestic or export. The next movement is across the Bay or down to Montreal for furtherance and on the third movement it is exported by boat from Montreal or Quebec as the case may be. I could not offer any view as to what effect the Fordney Bill or any other bill would have on the amount of grain that would go into the United States and we would get the longer haul. We were looking always for the long haul.

By Mr. Macdonald:

Q. East and west?—A. Both east and west?

Q. Not north and south?—A. You have to deal with the grain men after it gets to Port Arthur as to how the grain shall go, whether it shall go by water, by way of Buffalo or down to Montreal for export.

By Mr. Forke:

Q. I am going to ask you another difficult question: within your knowledge of railway operations in the west, do you know of any reason why the C. P. R. and the Government should have entered into an agreement such as the Crowsnest pass agreement rather than some such agreement as proposed now. Do you know any special reason why they should enter into an agreement of that kind. What were the conditions then different to those that exist now?—A. God knows. I don't. I think, without speaking for publication—I would think if the C. P. R. could undo the agreement and start all over again, way back in '96. They would be glad to do it.

By Mr. Macdonald:

Q. There was no Railway Board then. That was reason.—A. I think there were more reasons than that.

[Mr. Hanna.]

The CHAIRMAN: Mr. Oliver, the Premier of British Columbia is here, and I think he should be given some chance to ask questions as he wishes. I would like to call your attention, while there is a hiatus here, to a misprint on Statement No. 1, page 20. Look at column 12 at the bottom and read up. The rate on March 15, 1918 from Maple Creek is down here as 33 cents, which is obviously wrong. It should have been 23 instead of 33, and at the top of the column it is given as 1999. That is looking forward a bit. It should be 1899. Now gentlemen, are there any further questions to be asked?

By Mr. Shaw:

Q. I would like to ask a question. I want to get clear on this matter about the situation that will develop if this Parliament takes no action before the 6th of July next. Now, I understand that by virtue of the suspension and also by virtue of the Railway Order 308 your rate structure will be more or less demolished if nothing is done. What I would like to know is exactly where do we go back to, if you can put it in terms of years or terms of rates, where do we stand if we take no action with regard to rates mentioned other than in the Crowsnest pass agreement.

Mr. HAYES: We will go back to the rates that were ordered into effect in August 1918 in the case that was known as the 25 per cent case.

By Mr. Macdonald:

Q. With the Crowsnest pass rates?—A. With the Crowsnest pass rates in addition or lower. He asked about the general commodities.

By Mr. Shaw:

Q. Are you speaking now about the 25 per cent or the 15 per cent rates?

Mr. HAYES: The 25 per cent.

Q. Because if the Crowsnest pass agreement goes into effect do we not automatically go back to the 15 per cent rates of March, 1918?—A. I would hate to hazard a guess where we should land on any such adjustment of rates as would result from any miscellaneous commodities on the 1918 basis and the Crowsnest rates, going back on their basis, we would have such a discrimination of rates in Canada that I don't think any traffic man would attempt to hazard where we would eventually land.

By Mr. Euler:

Q. If there were a reversion to the rates of 1918 would that apply to eastern Canada as well as to western Canada?—A. The order says "all the rates established hereby" and that order was generally over western and eastern Canada.

By Mr. Boys:

Q. Apart from everything, except what is in the Crowsnest pass agreement, the Railway Commission would have jurisdiction over everything?—A. That is what I would assume and they would have jurisdiction over the Crowsnest pass rates to the extent that they would be charged with the responsibility of removing discrimination on complaint made by other parties.

By Mr. Stewart (Lanark):

Q. Why do you say we come back in 1918? Why would you stop at 1918?—A. That was the last previous rate basis prior to General Order 308.

Q. It was an Order in Council. It was not by the Railway Board?—A. It was confirmed by the Railway Board.

By Mr. Macdonald:

Q. Would the confirmation save it from passing out of the authority under which the Order in Council arose? Would not you and the C.P.R. at once go to the Railway Commission and say "we are going to lose fifteen or sixteen million dollars by

[Mr. Hanna.]

the Crowsnest pass agreement and we want you to revise the rates to prevent us having an enormous deficit."—A. We would be confronted with the discriminatory situation that the Crowsnest pass agreement still put up in front of us.

Q. The rest of the country would have to suffer by reason of the Crowsnest pass being put into operation?—A. Yes.

By Hon. Mr. Manion:

Q. The going back on the other rates outside of the Crowsnest pass agreement would be general because of the discrimination. Is that the idea that would ensue?—A. In going back to the other rates of 1918 outside of the Crowsnest pass and the commodities enumerated in that agreement; the going back is a result of the limitation the Board has surrounded itself with by the General Order 308 of September, 1920.

Q. In other words it limited it to the extension of the Crowsnest pass?—A. Yes, sir.

By the Chairman:

Q. Then it drops it and there is nothing remaining excepting the 1918.

By Mr. Stewart (Lanark):

Q. Where do you get the idea you have of 1918?—A. Because in the judgment in connection with September 1920 rates, they make that statement: "as our jurisdiction for granting increases on certain lines of railway in western Canada depends entirely upon the amendment to section 325 of the Railway Act, 1919, which expires on the 6th day of July, 1922, the rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provisions of that section. Therefore the rates herein provided for shall not extend beyond the first day of July, 1922."

By Mr. Boys:

Q. Does not that only apply to rates affecting commodities in the Crowsnest pass agreement?—A. "The rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provisions of that section." What do they establish? They establish rates all over the Dominion.

Q. Why could not this continue on everything except commodities within the Crowsnest pass agreement. The judgment now entered I think, says "that for that reason," because I suppose of that discrimination these rates are only to be effective until the first of July, 1922.—A. What rates?

Q. The rates you refer to there.—A. The increases that are referred to?

Q. Yes.—A. Then we come to the rates as they stood, which were the rates of 1918.

By Mr. Macdonald:

Q. I suppose that at the present time the Board of Railway Commissioners are considering the question of the general revision of rates?—A. Yes.

Q. And it is understood their decision has not been given subject to seeing what Parliament is doing in regard to the Crowsnest matter?—A. Yes.

Q. If Parliament decides to continue the Crowsnest pass agreement they will give their decision based on that, and if we decide to suspend that they would give their decision accordingly and give their decision on basic commodities?—A. Yes.

By Mr. Boys:

Q. I think I understand you, but to put the matter beyond peradventure let me ask this: Supposing no action whatever is taken by this Committee or by Parliament, the Crowsnest pass agreement will be restored on the 6th or 7th July next?—A. Yes.

[Mr. Hanna.]

Q. Then the Board of Railway Commissioners may do what they think proper with regard to all other rates, either to let the rates that stand by their last judgment continue, or to revise the rates upon commodities outside of the Crowsnest pass agreement?—A. No, that is not all there is to it, because they have added this rider to their decision, that because of the Crowsnest pass agreement the rates that have been put into effect will be adopted.

Q. But that goes back to a previous order establishing rates?—A. The rates established in 1918 which were in effect up to 1920.

Q. Then if nothing is done by Parliament, we have the rates according to the Crowsnest pass agreement with regard to the commodities mentioned therein, and then we have the rates upon all other commodities as fixed by the order of 1918, the Board, of course, having power to revise them as they think proper?—A. Yes.

Q. I suppose what this Committee has to determine first of all is whether we are going to recommend a further suspension of the Crowsnest pass agreement. If we are not going to recommend a further suspension of that agreement, does it not mean that the whole question should be dealt with by the Dominion Railway Commission?—A. We would think so.

Mr. BOYS: Then, Mr. Chairman, are we going to discuss in this Committee what the rates should be on this, that and the other thing? Is not the whole question to be decided by this Committee simply whether or not we are going to recommend the further suspension or, practically, the abrogation of the Crowsnest pass agreement.

The CHAIRMAN: I would think you are right.

Mr. MACDONALD: We are not going to decide it now.

Mr. HUDSON: I would not like to assent to statements made by my hon. friend and by the Chairman without taking time to consider them. The question of what shall be done with the Crowsnest pass agreement is a question which the House will have to decide, and its decision will be based upon facts elicited before this Committee, and our efforts should be directed to getting those facts.

Mr. BOYS: I simply want to know if that is to be the subject matter of our discussion or not.

By Mr. Euler:

Q. If Parliament does not act, I take it the Crowsnest pass agreement will be revived. That agreement fixes the rates on certain commodities, and I understand we go back to the rates obtaining in 1918 with regard to all other commodities. What increase would those rates constitute over the rates obtaining prior to the war?—A. My statement shows in dollars and cents where it would leave the Canadian National Railways.

Mr. MACDONALD: 40 per cent more.

WITNESS: Do you mean the rates on certain commodities?

Mr. HAYES: Do you mean the decrease in our gross freight revenue?

By Mr. Euler:

Q. No, what percentage of increase would the 1918 rates constitute over the pre-war rates?—A. 29 per cent.

Mr. MACDONALD: Were there not two increases of 15 per cent and 25 per cent? That makes 40 per cent.

Mr. HAYES: There were so many miscellaneous commodities of which exceptions were made to the general increases of 15 per cent and 25 per cent that we never obtained the full benefit of the increases expressed in those percentages.

By Mr. Euler:

Q. The general increases were 15 per cent plus 25 per cent,—40 per cent?—A. Yes; but there were so many exceptions in the case of miscellaneous commodities

[Mr. Hanna.]

that it reduced the aggregate increase to 29 per cent or 30 per cent over the pre-war rates.

By Mr. Macdonald:

Q. If you went back to the 1918 rates, to what extent would your deficit be increased?—A. \$10,400,000; that is including the Crowsnest.

By Mr. Fansher:

Q. Mr. Hanna, I understood you to say you favoured the abrogation of the Crowsnest pass agreement, and to refer the whole question to the Board of Railway Commissioners. I would like to know if you favour the permanent abrogation of this agreement or for only one or two or a term of years?—A. I really do not want to be quoted as having given serious consideration to the question of the abrogation of the Crowsnest pass agreement for all time, but I think I can say generally that the Crowsnest pass agreement has outlived its usefulness and that it would be better if something else could be set up which would be just as good and a little more up-to-date.

By Mr. Boys:

Q. I think you mentioned that if the Crowsnest schedule was again put into effect the Board of Railway Commissioners would be met with applications setting up discrimination?—A. Yes.

Q. You believe that?—A. Yes.

Q. And you think the Board would be compelled to give effect to that?—A. I do not see how they would be able to get away from it.

Q. Supposing they answered that they have no control over that, that there was a solemn agreement made with the C.P.R. fixing the rates?—A. What about the effect on the other railways outside of the Crowsnest pass agreement?

Q. We will assume that the Crowsnest pass agreement again becomes effective and that somebody in the East calls the attention of the Board to the fact that a certain commodity can be hauled one hundred miles for a certain rate, whereas the same commodity can be hauled for a much less rate under the Crowsnest pass agreement—that would be discrimination?—A. That would be the position if Parliament did not give a direction to the Board with respect to that clause in their decision of 1920. But if they did give effect to that and permitted the rates now in effect to remain as they are, and simply give effect to the Crowsnest pass agreement for the particular commodities concerned, the effect on our revenues would not be so serious.

Q. I understand the point to be that the East would be paying very much higher for the haul per mile on the commodities mentioned in the agreement than the West would be paying, and that would be discrimination. What is the language of the Statute? Is there not a discretion given to the Board under the Act regarding rates?

Mr. HAYES: I will give you a few illustrations of the actual effect of the restoration of the Crowsnest pass rates, in comparison with the rates if we went back to the 1919 basis, and take two commodities, or the same commodities, moving from Port Arthur say to Winnipeg. On the 1918 rates on the same commodity the rate would be 47½ cents and under the Crowsnest pass agreement it would be 42½ cents; that is a difference of 5 cents or if we had to take the rates on our fifth class list and meet the Crowsnest pass rate it would mean a reduction of five cents. Then we get to Regina. In 1918 the rate was 81½ cents and the Crowsnest rate 80 cents, a difference of one and a half cents. We get to Saskatoon, and in 1918 the rate was 92½ cents and the Crowsnest rate \$1.04½ so that if we go back to the Crowsnest pass agreement we would have to increase the rate on ordinary commodities by 12 cents a hundred. We get to Calgary and in 1918 the rate was \$1.19 and the Crowsnest rate \$1.08. There would be increases as well as decreases under the application of

[Mr. Hanna.]

the Crowsnest pass agreement in the western territory if you want to get back to what the rates were in 1898. Take Edmonton, there would be an increase of 16 cents a hundred as compared with what would come into effect under the rates of 1918. Take from Toronto, the same inequality prevails, and also from Montreal. There is absolutely no use in attempting to make anything practical from a rate standpoint out of the adjustment of rates going back to the 1897 and 1898 adjustment on the C.P.R. We would have a discrimination so rampant everywhere that it would all go by the board.

By Mr. MacDonald:

Q. You mean in the West in regard to commodities mentioned in the Crowsnest pass agreement?

Mr. HAYES: Yes.

By Mr. Fansher:

Q. In regard to the question I asked, I understand that it is the railway companies who are asking for the abrogation of this Crowsnest pass agreement. Now I would like to know what is their wish in this regard, whether it is for an abrogation of the agreement for a term of years, or whether it is that it should be done away with altogether. I think that is an important question and one to which we should have an answer.

The CHAIRMAN: You mean abrogation or temporary suspension?

By Mr. Fansher:

Q. Yes, or whether the agreement should be done away with entirely.

Mr. MACDONALD: It is a question of policy more than of opinion.

Mr. HANNA: Expressing an opinion on that I would not like to go too far, because I am only speaking for the Canadian National Railway and not for the C.P.R. or for the Government. The Government is all powerful in this matter. But what we say is, there are two views that may be taken; first that the Crowsnest pass agreement may be suspended for a period of time and throw the whole rate question where it belongs, where we think it belongs, to the Board of Railway Commissioners; or if we can arrange some new setup of rates on basic commodities that will take the place of the Crowsnest pass agreement, then the C.P.R. and the Grand Trunk and ourselves are willing to sit in and try to meet the situation in that way. You can see from the figures that Mr. Hayes has just quoted what is going to happen. In 1898, those rates that we referred to at Saskatoon and Edmonton represent rates where there were no distributing centres at that time. Then certain small companies were operated by the C.P.R. on behalf of the owners. Such as the Qu'Appelle Long Lake and Saskatchewan Railway from Regina to Saskatoon and Prince Albert, and the Calgary and Edmonton Railway from Calgary to Edmonton. With all those conditions or those new set of conditions it is impossible to tell you just exactly where we are going to get off at. If you can satisfy the interests generally with something that will be just as good and more widespread in its character, I believe we are doing the proper thing.

By Mr. Euler:

Q. You would not suggest the suspension of the Crowsnest pass agreement but its abolition altogether?—A. I would have that at the back of my head.

By Mr. Hulbert:

Q. The point I want to get at is this; in case of the Crowsnest pass agreement coming into effect the railways would lose on the commodities affected by the Crowsnest pass agreement?—A. Yes.

[Mr. Hanna.]

Q. Would it be natural that the Railway Commission in considering the matter would allow a rate in order to allow the railways to make up the deficit?—A. I would hate to be a member of the Railway Board of Commissioners in doing that.

Q. The railways cannot expect that?—A. The railways cannot expect that and I don't think they would get it because life is too short and too turbulent as it is.

By Mr. MacDonald:

Q. Did I understand you to say, Mr. Hayes, if the Crowsnest pass agreement were permitted to function again there would be cases in regard to commodities referred to in the Commission at points in the Northwest where the goods have to be transported and there would be cases higher than in 1918?—A. Yes.

Q. It would not mean there would not be an absolute revision of rate in the Northwest?—A. No.

By Mr. Boys:

Q. I want to know if I can get into my head the argument pro and con of this thing. You contend your company should not be bound by an agreement to which you were not a party?—A. Yes.

Q. You contend that if we had general reductions apart entirely from the Crowsnest that would lead to the promotion of business generally throughout the country more so than under the rates in the Crowsnest pass agreement?—A. Yes.

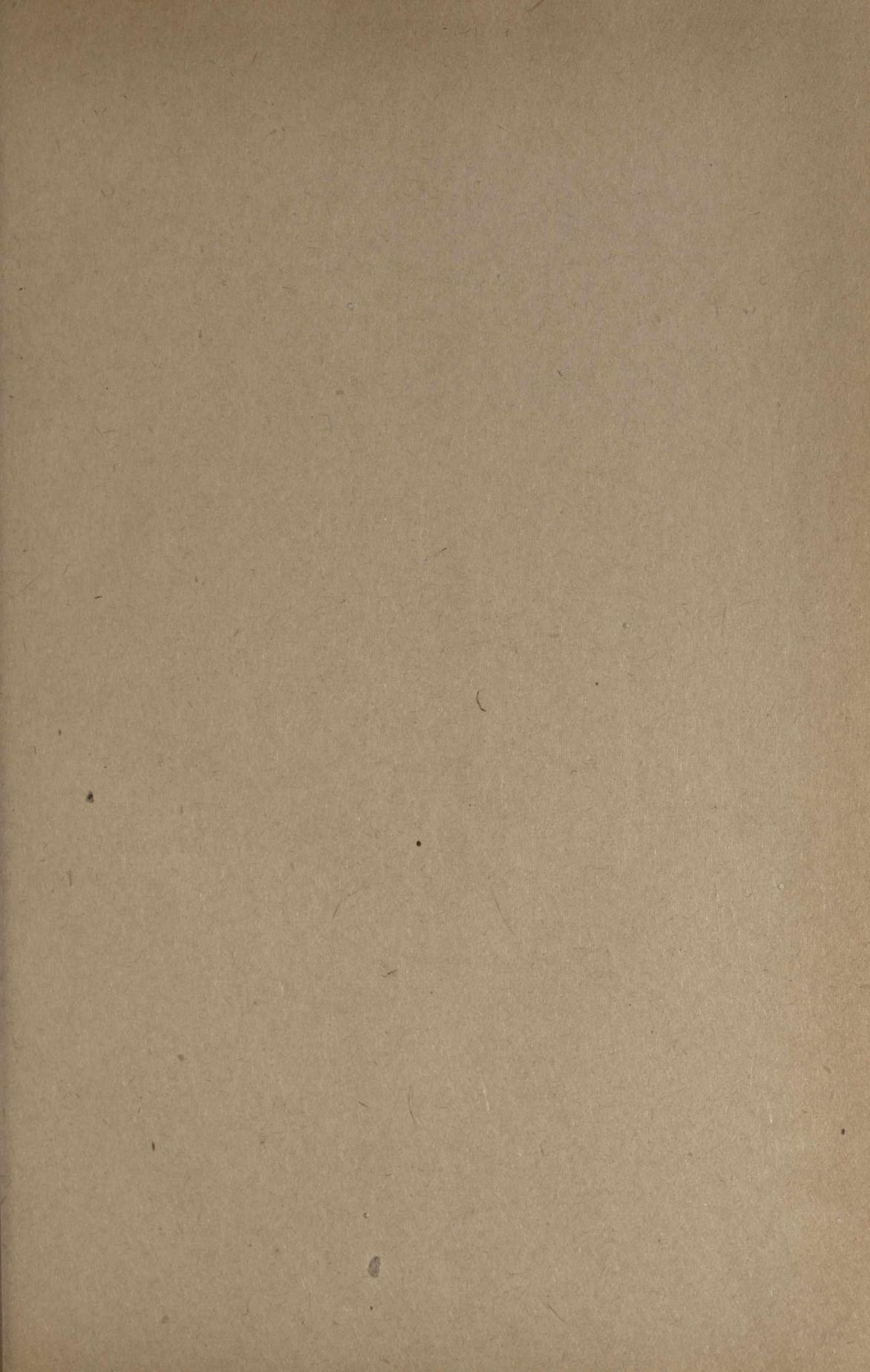
Q. You also contend it would do away with the discriminatory feature which must prevail if the Crowsnest pass agreement continues?—A. Yes.

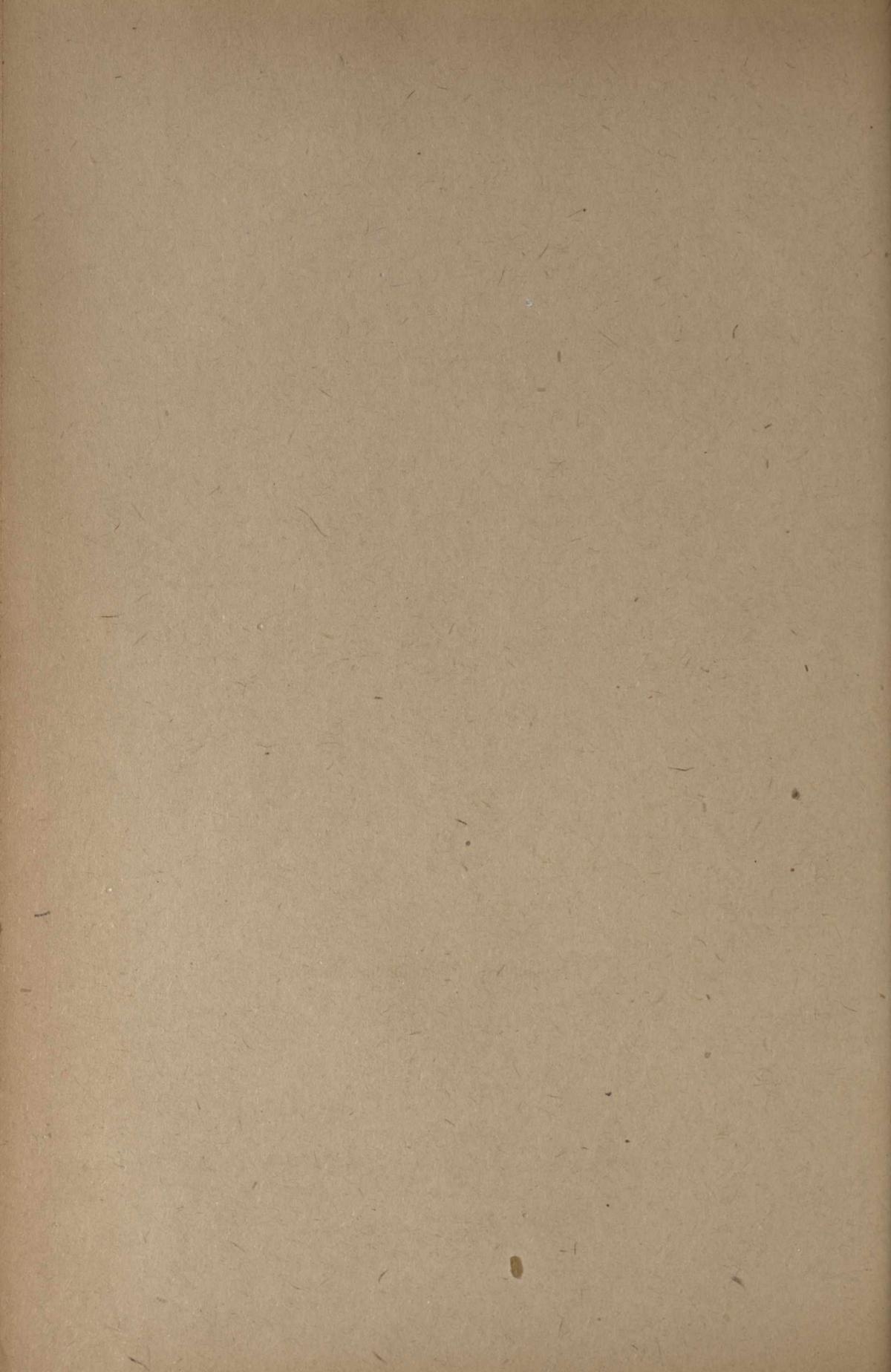
Q. Lastly and most important, you believe under that system there would be smaller deficits in the National Railways?—A. Yes.

Q. Is that a fair summary of your position?—A. That is a fair summary of my position.

The CHAIRMAN: It is after one o'clock now, and I think you are all anxious to adjourn. I am not quite sure as to who is appearing before the Committee to-morrow and I will assume that further questions will be asked of the gentlemen present today, and Mr. Oliver of British Columbia may be ready tomorrow to address the Committee, but possibly not, but I think we had better adjourn, at least until to-morrow at 11 o'clock.

The Committee adjourned until Tuesday, May 23rd, at 11 o'clock, a.m.





OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

PUBLIC ACCOUNTS COMMITTEE

IN CONNECTION WITH

PAYMENT OF \$2,429,984.08 TO CANADIAN NORTHERN RAILWAY
SYSTEM IN CONNECTION WITH COAL

No. 4—TUESDAY, JUNE 6, AND WEDNESDAY, JUNE 7, 1922

NAMES OF WITNESSES:

R. C. Vaughan, and D. B. Hanna



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

TUESDAY, June 6, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

Mr. R. C. VAUGHAN, of the city of Toronto, recalled.

The CHAIRMAN: Mr. Macdonald will proceed with the examination of Mr. Vaughan.

By Mr. Macdonald:

Q. Have you that contract with the Y. & O. Coal Company?—A. No, I have not got it with me.

Q. It was understood that you were to bring it with you?—A. I was instructed to take up with this Committee and see whether the inquiry is to be into a general coal contract, or only in relation to the item in the public accounts mentioned at the last meeting. There was no coal in that purchased under the Y. & O. contract. None of it was supplied in any of the items of this bill.

Q. Don't you think you could have brought the contract with you and submitted it to the judgment of the Committee? It is rather unusual for an official to refuse to produce papers or to come here without being ready to obey the rules of the Committee?—A. I have not declined to furnish it. I have not got it with me.

Q. You are declining, because you have not done what the Committee expected you to do. We cannot go on with the examination until you do produce the contract. Here are the circumstances, gentlemen: here is an item of \$2,429,984.08 paid the Canadian Northern Railway Company by the Government Railways for coal. Now on the face of that bill you have a very anomalous charge to begin with. There is no reason why the Canadian Government Railways should purchase coal from the Canadian Northern Railway Company. If they wanted coal they could have purchased it from other people who sell coal instead of buying from the Canadian Northern. Mr. Vaughan produces a number of vouchers showing certain coal was purchased by the Canadian National Railways from the Canadian Northern, and in the course of the examination it developed that the Canadian Northern have a contract with the Y. & O. Coal Company made in 1920; that this company with the unpronounceable name made a contract by which they were to supply eight hundred thousand to one million tons of coal per year for a period of three years. I asked Mr. Vaughan to produce that contract and let us see where the coal was purchased and why it was necessary to get coal in the United States at all, and also why they should make that contract and furnish that coal in such a roundabout way. That is all a matter that we should properly inquire into and investigate.—A. Allow me for an instant to explain. I do not think Mr. Macdonald has put that exactly right.

Mr. MACDONALD: I object to the witness coming here and making such a statement.

Mr. HANSON: I think in fairness the witness should be allowed to explain.

The WITNESS: As I say, you have not presented the facts as I stated them—

Mr. MACDONALD: I resent that.

The WITNESS: I hope I have a right to open my mouth here—

By Mr. Macdonald:

Q. What we want to know is what the facts are?—A. The facts are these: You say the Canadian Northern sold coal to the Canadian National Railways. That coal was bought by the Canadian National Railway System, but not bought in their name. Some of it went direct to the stock pile at Harvey. Now naturally we are obliged to keep a separate account. If the Canadian National Railways got that coal there is a bill for it from the Canadian Northern; some companies must get it. It is a purely financial matter.

Q. Where did I make a statement that was not correct?—A. You enlarged on my statement. The point I want to make clear is you say the Canadian Northern bought coal and sold it to the National Railways. The order was given in the name of the Canadian National Railways. It is purely a financial matter; we are obliged to keep the accounts of the two railways separate.

Q. That only accentuates the matter. You went out of the country to purchase \$2,429,984.08 worth of coal and we want to know all about it.

The CHAIRMAN: I understood that the witness was to come here and bring the contract with him. The reason for postponing the examination was in order that we might have the contract here, and we named this date to suit his convenience.

The WITNESS: That is quite true.

Mr. MACDONALD: At our last meeting I asked the witness if he would bring the contract. My question was "Could you produce copy of that contract?" and the reply is, as shown at page 57 of the report of our last meeting, "I have not got it here but I shall be glad to do so."

By the Chairman:

Q. I think Mr. Macdonald has a right to ask you why you have not got the contract. Why have you not brought it?—A. All I can say is I am acting under instructions.

Q. From whom?—A. From my president.

Q. Are we to understand from what you say that when the Public Accounts Committee of the House of Commons asks for the production of a document, the president of the National Railways may take it upon himself to give contrary instructions?—A. No, I do not understand that at all. I believe there has been correspondence with the Minister of Railways as to whether we should produce documents in cases where they are unnecessary.

Q. We know that you have no desire to be discourteous to the Committee or to go back on your undertaking, but this Committee calls for the contract—did not specifically order you to bring it, because we had your word that the document would be forthcoming. Now, I ask you to produce that document. This Committee is a piece of the House of Commons, which is after all the final governor of the country. It asks you to produce that contract. I take the view that there is no authority in this country that has the right to contradict the order that this Committee has given.—A. I think the only view taken by the president was that it was not pertinent to the inquiry.

Mr. HANSON: Your position is that under authority from your superior you were not allowed to produce it. I think we ought to go back of Mr. Vaughan.

The CHAIRMAN: I am careful not to attach blame to Mr. Vaughan personally. What I say is that when the Public Accounts Committee orders the production of a document no other authority has a right to interfere and say that the document shall not be produced.

Mr. HANSON: The witness says that the document is not relevant to the inquiry.

Mr. MACDONALD: The evidence shows that it is relevant.

[Mr. R. C. Vaughan.]

The CHAIRMAN: I would go further than that. I would say that when a document is to be produced by a witness, it is for him to bring it and say to the Committee, "I have been asked to produce this document for certain reasons, but I am told not to produce it." We could order him either to produce the document or say it was not necessary.

Mr. HANSON: Once it is in his possession. He has not got it in his possession.

The CHAIRMAN: He led us to believe that he had possession of it.

Mr. RYCKMAN: He says he has been ordered not to produce the contract.

The CHAIRMAN: Take the case of a witness who has been summoned to bring a document before the court—and we have all the right to examine that a court has—if a witness is subpoenaed to bring certain documents, it is no answer to say that somebody ordered him not to.

Mr. MACDONALD: He says he is the man who made the contract.

The WITNESS: No, I did not say I made the contract.

The CHAIRMAN: I have been careful not to criticize Mr. Vaughan personally, but he gave us to understand that he would bring the document with him to-day.

Mr. RYCKMAN: There is no doubt of that at all. He now says that his superior officer ordered him not to bring it. Then, the custody is not with him.

Mr. MACDONALD: He has not said anything about custody. He says he has not the contract with him, but nobody expects that he would carry the contracts of the Canadian National Railways in his pocket.

Mr. RYCKMAN: I have no doubt you can require the production of the document, but under the circumstances you cannot expect to get it from this witness.

The CHAIRMAN: My request will be to the witness—I do not want to put it in the form of an order—that the document be produced. Mr. Macdonald, would you like the witness to stay here and telegraph for the document?

Mr. HANSON: I do not think that is a fair order to give to this witness in view of the fact that he is acting under instructions from the president. If we want the contract, let us get Mr. Hanna to come here and produce it.

By Mr. Macdonald:

Q. Who was it negotiated the contract with that company—the Youghiogheny and Ohio Coal Company?—A. The contract was negotiated by various people, including the president and myself, and it was submitted to the Board of Directors for approval.

Q. You participated in the negotiation?—A. Yes.

Q. Did you go to Ohio for it?—A. No.

Q. Where was it negotiated?—A. In Toronto.

Q. With whom?—A. With the Vice-president of the Y. & O. Company.

Q. What is his name?—A. Mr. Findlay.

Q. He came to Toronto and made the contract. You being the official having to do with the making of contracts, I assume the burden of negotiating fell largely on you?—A. To some extent.

Q. Not to some extent, but to a large extent?—A. To a considerable extent.

Q. You talked over the contract prices?—A. Yes.

Q. And you were familiar with the sources of supply?—A. Yes.

Q. Not only in Ohio but elsewhere?—A. Yes.

Q. In fact, your information on that subject was more complete than the president's?—A. Yes, it would be.

Q. You thought the price and the terms and other conditions were satisfactory?—A. Yes, they were.

[Mr. R. C. Vaughan.]

Q. Did you recommend that contract to Mr. Hanna?—A. Yes, I recommended at that time when the contract was signed.

Q. Then the contract was signed by the president I suppose?—A. Yes.

Q. Where has it been since—in your particular department?—A. I do not remember off-hand where the contract is. There is naturally a copy of it in my department.

Q. You must have had access to the original, because you were purchasing coal under it?—A. Yes.

Q. It would be in your custody now, would it not?—A. I think the contract is in our office.

Q. That is in your particular coal purchasing department?—A. Yes.

Q. The other day when you were here you expressed your perfect willingness to produce that contract. When did you change your mind?—A. Well, I cannot say anything more than I said a few minutes ago—I am acting under instructions.

Q. I want to question you about those instructions. You told us the other day that you would be very glad to bring the contract? Did you speak to Mr. Hanna about it?—A. Yes.

Q. What did you say?—A. I said that this contract had been called for and asked if I should give it and my instructions were that it was not pertinent to the contract.

Q. What do you mean by pertinent?—A. That the inquiry was for coal in 1920, and there was none of this coal supplied under that contract that year.

Q. But you said here was some. On page 57 of the report I find when you were asked “was it from that company that this coal was purchased?”, you replied “No, but there was some, very little of it.” If there was only a ton of that coal supplied, the contract would be quite relevant to this inquiry. Did you suggest to Mr. Hanna that he should not produce it?—A. I do not know that I did.

Q. You say now that none of that coal was supplied in the quantity to which this account refers: When did you change your mind?

Mr. HANSON: He has not said that he changed his mind.

Mr. MACDONALD: I am examining the witness now, you can examine him when I am through. (To witness.) When did you change your mind?

Mr. HANSON: That is not a fair way to examine a witness. Nothing has been said to show that the witness has changed his mind.

Mr. MACDONALD: He must have changed his mind because he said the other day that he would be glad to produce the contract.

The CHAIRMAN: Why this change of attitude. He may think in his mind that he should produce it, and he says the reason why he has not produced it is because he is acting according to instructions.

By Mr. Macdonald:

Q. Do you think he should produce it now?—A. I would say, Mr. Macdonald, there is nothing in the contract that we are ashamed of, but the point is this—is this a general inquiry into our coal purchases or is the investigation confined to this particular item?—

Q. You know very well that it is not a general coal inquiry. What we are concerned about is to see whether the Canadian Northern Railway supplied the Government Railways with two and a half million dollars worth of coal—which is very anomalous when we know that the company could have secured it elsewhere—we want to find out why the Government should pay \$12 per ton for that coal?—A. Just in that connection permit me to say when the Canadian Government Railways were purchasing that coal at \$12, the Dominion Coal Company was charging \$14 for coal at Sydney.

[Mr. R. C. Vaughan.]

Q. You produce correspondence which shows that you never asked any company but the Dominion Coal Company for coal?—A. We took every ton of coal we could get in 1920.

Q. We will get back to where we were: You say you went to Toronto and told Mr. Hanna that this contract for the purchase of coal in the United States was asked for by the Committee. Did you show him any of the evidence that was taken here?

—A. No, I have not seen the evidence myself.

Q. Then he knew nothing about the evidence?—A. No.

Q. He had not seen the evidence reported at the Committee—did he ask for it?—A. No, he did not.

Q. Then he did not know anything about the evidence that had been taken here when you told him you were asked to produce the contract?—A. I told him just what had happened.

Q. Did you tell him we wanted the correspondence with reference to the purchase?—A. Yes.

Q. Did you bring it?—A. It would take half a car-load to bring it.

Q. I mean the correspondence with reference to this item?—A. You asked about the purchase of coal.

Q. I mean the correspondence relating to this item?—A. We have brought some of it here. It will take some time to get the whole of it.

Q. Time ought not to be any object when we are dealing with \$2,500,000 that has been spent. You brought some of the correspondence but not all?—A. No, not all.

Q. You do not mean to say that there would be half a car-load of correspondence relating to this particular item?—A. So far as that goes, we have no objection.

Q. You have not a half car-load of correspondence?—A. I have had very little time to give to this matter since I was here before.

Q. But you have an ample staff in the office and you can say that you want the correspondence for so much coal bought in the United States for the Railways and tell them to hunt up all that correspondence?—A. Yes, but I thought it might be necessary to look into it myself.

Q. Did you tell them to get the correspondence?—A. Yes. I have some of it here.

Q. Is that the car-load?—A. I have some of it ready to submit to the Committee if you want the whole of it, it will be produced.

Q. That refers to the particular coal purchased in the United States?—A. Yes.

Q. And you have not got all that correspondence here?—A. No.

Q. Mr. Hanna told you not to produce this contract without having seen the evidence taken before the Committee?—A. Yes, but I told him what had transpired.

Q. Did you tell him that you had agreed to produce it?—A. I told him I had been asked for it.

Q. Did you tell him you had agreed to produce it?—A. No.

Q. You bar further examination by saying that Mr. Hanna told you not to produce the contract?—A. I acted under instructions.

Mr. MACDONALD: Mr. Hanna is in town I understand. I suggest to the Chairman that he be asked to appear before this Committee.

The CHAIRMAN: I think he should.

Mr. MACDONALD: I think we should report to the House the position taken by Mr. Vaughan. It is time, when Mr. Hanna takes the stand that a document which the Committee wants shall not be produced, that we should know how the House views it.

The CHAIRMAN: The clerk tells me that the proper procedure where a witness refused to produce a document, is to report to the House, and I think that would be the best thing to do.

Mr. RYCKMAN: That is applicable when a witness has control of the document called for, and there is no superior course. I take it that what Mr. Macdonald suggests is the best course to follow.

[Mr. R. C. Vaughan.]

The CHAIRMAN: Your suggestion, Mr. Macdonald, is to ask Mr. Hanna to produce it?

Mr. RYCKMAN: Yes.

Mr. HANSON: I think Mr. Hanna should be asked to attend at our next meeting and give his reasons for not producing the contract. He may furnish evidence to show that it is not well to produce the contract.

The CHAIRMAN: It strikes me that it might be pertinent for Mr. Hanna to bring the document with him and he might say that he has it but does not want to produce it for reasons which he could give. It would be for the Committee to say, after hearing his reasons, whether he should produce it or not, but I do not think it is competent for a witness to say that he refuses to produce such and such a document because in his opinion it is not relevant to the inquiry.

By Mr. Hanson:

Q. This is a case of a contract between the Canadian National Railways and the Y. & O. Coal Company?—A. Yes.

The CHAIRMAN: What we are examining into is the details of a certain item which appears in the Auditor General's Account. Money of the people of Canada was used for the purchase of this coal, and therefore I think it is quite appropriate for this Committee to inquire into it.

Mr. MACDONALD: I ask that the witness stand down and that Mr. Hanna, who is in town, be asked to appear with this document and we can decide then whether it shall be produced or not.

Mr. HANSON: Before the witness stands down, I should like to ask him some questions.

The CHAIRMAN: I have no desire that the witness should stand down before the examination is complete, but I think that Mr. Hanna should be brought before us and asked to produce the contract.

Mr. MACDONALD: I move that the Clerk of the Committee summon Mr. Hanna to appear here and to bring with him a certain contract entered into in 1920 between the Youghiogheny and Ohio Coal Company, of Ohio, and the Canadian National Railways.

The motion was agreed to.

The CHAIRMAN: Now we can proceed with the examination of Mr. Vaughan on other matters.

Mr. MACDONALD: As I asked this witness to be called, so far as I am concerned I ask that my examination stand over until we get all the data.

The CHAIRMAN: When shall we call Mr. Hanna?

Mr. MACDONALD: To-morrow morning.

The CHAIRMAN: To-morrow morning at 11 o'clock, and it is further understood that Mr. Macdonald's further examination of this witness stand over.

Mr. HANSON: What course has been pursued in the past in relation to examinations before this Committee? Is it purely informal or do you stand on rules and technicalities?

The CHAIRMAN: As a rule, it is very informal. It would be well if we conducted things pretty much along the same lines as any court. I do not mean that we should regard technicalities, but that a man be allowed to finish his examination that he is pursuing and then let others question. I suggest that to the Committee.

By Mr. Hanson:

Q. This expenditure of two and a half million dollars took place in 1920?—
A. Yes.

[Mr. R. C. Vaughan.]

Q. Was any portion of the coal purchased by the Canadian Government Railways from the Canadian Northern Railway Company part and parcel of the coal delivered by the Y. & O. Company?—A. No.

Mr. MACDONALD: You have already said there was.

By Mr. Hanson:

Q. Was any portion of the coal purchased by the Canadian Government Railways in 1920 from the Canadian Northern which makes up the sum of \$2,429,984.08 any part or parcel of the coal shipped to the Canadian National Railways under the Y. & O. contract?—A. No, there was no coal at all supplied in that item from the Y. & O. Company.

Mr. MACDONALD: I think it is only reasonable for this Committee, if its proceedings are not to be a farce, to let the inquiry stand over until we get the data for which we have asked. It is rather curious that Mr. Hanson should now ask the witness to contradict himself—

Mr. HANSON: I resent that.

Mr. MACDONALD: Because the witness said the other day that there was a portion of the coal purchased under the contract with the Y. & O. Company sold to the Canadian Government Railways in 1920.

The WITNESS: I should like to have Mr. Macdonald show where I said that any portion of that coal was procured from the Y. & O. Company.

Mr. MACDONALD: I want to know, as a member of the House of Commons, where two and a half million dollars of the public money has gone to.

Mr. HANSON: I am just as much concerned as the honourable gentleman is in getting at the facts.

Mr. MACDONALD: Then why do you ask the witness to contradict the statement he made at our last meeting?

Mr. HANSON: I submit that my question does not ask the witness to contradict his statement.

The CHAIRMAN: I do not think I can refuse to allow the question to be put. I think the question is allowable.

The WITNESS: My answer to that question is no. None of that coal was furnished by the Y. & O. Company.

By Mr. Hanson:

Q. Then if you made a contrary statement the other day it is an error?—A. I should like to explain that the last time I was asked about this coal we were speaking of coal in 1920 and 1921 and various other coal, and something may have got into the evidence which was an error.

By Mr. Macdonald:

Q. I will read from page 57 of the report—"Q. Could you produce a copy of that contract?—A. I have not got it here but I shall be glad to do so. Q. Was it from that company that this coal was purchased?—A. No, but there was some—very little of it. Most of this was coal that we had to pick up when our coal was confiscated by the American railroads and they fell down in their contract. I think the United States railways took from us 750,000 tons which we should have got under the contract."—A. All I can say is that this is probably an error in the transcription. It looks the way it is put as if there was some doubt about the question.

Mr. MACDONALD: I do not propose to examine the witness any further at this stage.

By Mr. Hanson:

Q. You say now that no coal was supplied in 1920 by this company?—A. I do.

Q. What coal was supplied, and what was the necessity for the transfer of coal

[Mr. R. C. Vaughan.]

from the Canadian Northern to the Canadian National Railways?—A. So far as we are concerned, it was not a transfer. Everyone knows that the coal situation in 1920 was very acute. Railroads and industries could not get sufficient coal to keep them going. Mr. Carvell was also acting as fuel contractor and endeavouring to get all the coal he could procure from the Nova Scotia collieries. He had men going through the United States trying to procure coal. We had coal coming from the United States which was confiscated en route. We were not different from other railways so we were obliged to get spot coal. A good deal of it was bought by telephone. We would get a telephone "We can get so much coal at such a price," and we would say, "buy it." It would come to Harvey Junction and be dumped there and it was supplied at the actual cost of the coal.

Q. Was any profit made by the Canadian Northern Railways as against the Canadian National Railways?—A. No, not a copper.

Q. There is a great discrepancy here as to the cost per ton. I notice the first item was 3,027.35 tons of coal at \$3.29, and the last item was 69,543.355 tons at \$12. Just explain why there is such a difference?—A. It was due to the market conditions at that time. Coal was sold at all kinds of prices. Some sold as high as \$17.50 at the mines; some American railroads paid that for coal. The New England companies bought all they could get hold of and shot the market to pieces. Some of the prices here includes duty. There is no exorbitant charge there, considering the conditions at the time.

Q. These are market prices?—A. Yes.

By Mr. Lewis:

Q. There is one item there which gives the price of "492.95 tons, and freight \$217,887.14 and duty \$11,712.26." If freight and duty is included in that price of \$12 why are those figures there?—A. The \$12 coal was principally taken from the stock pile, the freight and duty would be included in that, but in other cases freight and duty are added because it was shipped direct and did not go into the stock pile.

Q. Some of this coal came from the United States?—A. A good deal.

Q. But not under that particular contract?—A. No.

Q. And you had other contracts besides this one with the Y. & O Company?—A. Yes.

By Mr. Hanson:

Q. Or it was spot coal you happened to buy?—A. Yes, spot coal we happened to buy.

By Mr. Macdonald:

Q. You said you had some correspondence with regard to this item of purchase; can you produce that?—A. Yes.

Q. You say this correspondence which you now hand me is with parties from whom you purchased coal?—A. Yes.

(Documents marked as V 1, V 2, V 3, V 4 and V 5—produced by witness and handed for examination to Mr. E. M. Macdonald.)

By Mr. Lewis:

Q. None of this was hard coal?—A. No, soft coal. There may have been a little hard coal in it, I would not say off-hand.

By Mr. Macdonald:

Q. You produced here some correspondence the other day with various companies in Nova Scotia with regard to coal purchased in 1920. I find on examination that there is no correspondence except with the Dominion Coal Company. Had you correspondence with any other companies?—A. Yes there was.

Q. Where is the correspondence,—have you got it with you?—A. No.

Q. Are you willing to produce it?—A. Why, yes.

[Mr. R. C. Vaughan.]

The CHAIRMAN: Are you asking for the production of the correspondence.

Mr. MACDONALD: Yes, I should like to have it.

The CHAIRMAN: Just what is desired—all the correspondence had between certain dates? Tell the witness so that there can be no possible misunderstanding.

Mr. MACDONALD: The circumstances are, the witness the other day intimated to me, according to the evidence, that this was correspondence he had with coal companies he had in Nova Scotia, showing that he could not get coal. I find on going through this correspondence that with the exception of one company there is no such correspondence. I should like him to produce all the correspondence he had with all the coal companies in Nova Scotia relative to their supplying coal in 1920.

The WITNESS: That correspondence has reference to a number of companies that we bought coal from. We made every effort to procure coal. The correspondence that Mr. Carvell had mentions all the companies.

By Mr. Macdonald:

Q. There was only one company shipping abroad?—A. Well, he communicated in our behalf with all the companies we had correspondence with.

Q. Have you any of that correspondence yourself?—A. No, not that he sent.

Q. I am asking about the correspondence you had yourself?—A. I shall be glad to give you all the correspondence.

Mr. MACDONALD: I am not prepared to go on with the examination until I see the contract.

The CHAIRMAN: Are there any other matters that the Committee wishes to take up this morning. There is no desire to examine Mr. Graburn at present.

By Mr. Lewis:

Q. Do you find it cheaper to buy coal in the United States than in Canada?—A. In certain districts we do.

Q. Do you pay for a longer freight haul and duty too and find it cheaper?—

A. It is very much cheaper in Central Ontario and coming up the Great Lakes to buy coal from the United States companies.

Q. The coal is just as good, is it?—A. Yes.

By Mr. Macdonald:

Q. The contract is for three years at the worst time you could have made a contract?—A. That could be explained easy enough. There are no apologies to make for it.

Mr. HANSON: Is it pertinent to the inquiry before the Committee that we should investigate all the efforts made by the National Railways to purchase coal in Nova Scotia that year?

The CHAIRMAN: I have never acted as Chairman of this Committee before, but it would strike me that if we see any charge made in the Auditor General's Report for material, to inquire why could not that be bought in our own country and at as reasonable prices.

Mr. HANSON: Yes, and they ought to buy coal in this country.

Mr. LEWIS: Is there any maximum price which you should not exceed?

The CHAIRMAN: Would not your question be better placed when we have the contract before us?

Mr. HANSON: But none of this coal came up from the Maritime Provinces.

By Mr. Lewis:

Q. Under this contract the Y. & O. Company had to sell you coal at the lowest prices that they charged other people?—A. Yes.

[Mr. R. C. Vaughan.]

Q. And it might have so happened in 1923 that you were forced to buy a million tons of coal at probably four or five dollars higher than it was selling at in Nova Scotia. You would still have to take it?—A. I think that is an impossibility. There is a maximum in the contract, of course; the maximum was \$3.25 at the mine for Pittsburgh run of mine coal. Regardless of prices, under the contract they were selling us coal at the lowest price they sold to anybody, and they are the largest company in the United States, so we were protected by that.

Q. You say here on page 57 that the contract was entered into when coal was selling at \$10 a ton at the mine?—A. Perhaps I did not make myself clear on that point. The maximum was \$3.25.

Mr. MACDONALD: The witness is giving his version of the contract which he should have produced.

Mr. HANSON: The contract will speak for itself if we are to have it.

The Committee adjourned until Wednesday, at 11 o'clock a.m., June 7, 1922.

COMMITTEE ROOM 429,

HOUSE OF COMMONS,

WEDNESDAY, June 7, 1922.

The Select Standing Committee on Public Accounts met at 11 o'clock a.m., Mr. A. R. McMaster, the Chairman, presiding.

The Committee proceeded to the further consideration of "a payment of \$2,429,984.08 to Canadian Northern Railway System in connection with coal, errors in calculation, freight and duty, as set out at page W-189, Volume 3, Report of Auditor General for fiscal year ended March 31, 1921."

The CHAIRMAN: Mr. Hanna is here and he has been asked to produce a certain contract. Mr. Hanna will come forward please.

D. B. HANNA, called and sworn.

The CHAIRMAN: Mr. Macdonald you wish to examine the witness.

Mr. STEWART: What order of reference are we proceeding under?

Mr. MACDONALD: The Auditor General's Report.

Mr. STEWART: As I understand it, it is the Auditor General's Report for the fiscal year 1920-21. That is the only report there is. The report for the following year is not yet out.

Mr. MACDONALD: What has that to do with it?

Mr. STEWART: I am only referring to the possibility of the production of documents being called for which are not yet in existence.

Mr. MACDONALD: But the order to produce the contract is in existence.

By the Chairman:

Q. You are president of the Canadian National Railways?—A. Yes, president of the Canadian National Railways.

Q. The other day in the course of his examination Mr. Vaughan stated that he would produce a copy of a contract providing for the supplying of 800,000 to 1,000,000 tons of coal a year made by the National Railways with the Y. and O. Coal Company. Have you the original of that contract with you?—A. Yes, I have it here.

The CHAIRMAN: My ruling the other day, gentlemen, was that we should have the contract here and then should listen to any objections which any one might raise [Mr. R. C. Vaughan.]

to its production. Before actually putting it into the record we will hear any one who has any objection to its production.

Mr. STEWART: Has Mr. Hanna any objection?

The WITNESS: May I be permitted to make a statement? It is my understanding that this Committee is dealing with the Auditor General's Report for the fiscal year ended 31st March, 1921. In that report there are included certain items representing coal purchased by the Canadian National Railways for and on behalf of the lines of the National System.

By Mr. Macdonald:

Q. That is not the item. It is an item for coal purchased from the Canadian Northern System.—A. The Canadian National System, but we will let it go at that—say the Canadian Northern System. I want to say here that Mr. Vaughan has not refused to produce any papers in connection with these items referred to in the Auditor General's Report. When he was asked to produce the contract with the Y. & O. Company he was quoted as saying that there was coal involved in the transaction between the Canadian Northern and the Canadian National Railways which came under that contract. He says he made no such statement—that he was incorrectly reported, but whether that is true or not the fact remains that this contract, which I hold, made as it was on the 15th June, 1920, did not become operative until the opening of navigation in 1921, and that no coal was delivered under this contract until that time. Therefore this contract has no pertinent bearing—as I see it—on this particular inquiry. Now do not misunderstand me, gentlemen, the contract is here and I am not ashamed to show it—far from it—but what I submit is this, and I want you to take full note of what I am going to say, that if any committee desires during the operations of the National Railway System which we are trying to carry on free from political interference in every way possible—if the system is to be subjected to the production of contracts while coal is being delivered under them and this contract is being used as a basis for procuring other coal, then I want to show that the present board of management will not be able to carry on. I have the contract here. I say the Committee is not entitled to have it as part of this investigation, but if Parliament wants this contract of course Parliament will get it.

By Mr. Stewart:

Q. Does it cover any deliveries up to the 31st March, 1921?—A. No.

Q. No deliveries at all?—A. No.

By Mr. Macdonald:

Q. How do we know that?—A. I make the statement.

Q. But you are not able to make it.—A. I am in a position to make that statement.

The CHAIRMAN: Let Mr. Hanna finish his statement and then Mr. Macdonald can cross-examine him. Then any one who likes may re-examine him and we can discuss pro and con whether this contract should be investigated.

Mr. STEWART: I do not think it is fair of Mr. Hanna to say that this investigation is carried on with a view of political interference with the management of the railway.

Mr. HANNA: I never said anything of the kind.

Mr. STEWART: But the inference is there.

The CHAIRMAN: This interchange between witness and Committee might be avoided. I understand Mr. Hanna's pretention to be that he does not believe the deliveries under this contract fall under the accounts of the year which we are examining. I placed before the Prime Minister some time ago a suggestion to have the accounts for some years brought under the purview of this Committee. I do not

[Mr. D. B. Hanna.]

know whether an order to that effect has been passed or not, but I asked to have it passed.

Mr. STEWART: That would not cover this case. That would be to cover a year ahead.

The CHAIRMAN: Mr. Hanna has finished his statement I understand and Mr. Macdonald can now proceed with his examination.

Mr. MACDONALD: Then Mr. Vaughan's statement to the effect that there was coal purchased under the contract in 1920 in the item that we are now considering was incorrect.

Mr. STEWART: I object to that statement. Mr. Vaughan did not say so. He said that that was a garbled report of what he stated.

Mr. MACDONALD: I object to that.

The CHAIRMAN: My recollection is that Mr. Vaughan did say there was some taken that was delivered under that contract. Mr. Macdonald in putting his question asked if it was from that company that this coal was purchased, and the reply was "Very little of it." That is borne out by the stenographer's report.

Mr. MACDONALD: There are two things that Mr. Vaughan said on that occasion to which I wish to refer. First, on page 57 you stated that there was a contract with an American coal company for a large supply of coal and I asked what was the name of the company. He answered the Youghiogheny and Ohio Coal Company. Then the examination continued:—

"When was that contract entered into?—A. June, 1920.

"What was the nature of it?—A. The contract provided for 800,000 tons to 1,000,000 tons a year, practically all of it being shipped to Georgian Bay and Lake Superior points."

Then the question was put—

"Q. Could you produce a copy of that contract?—A. I have not got it here but I shall be glad to do so.

"Q. Was it from that company that this coal was purchased?—A. No, but there was some—very little of it. Most of this was coal that we had to pick up when our coal was confiscated by the American railroads and they fell down in their contract. I think United States railways took from us 750,000 tons which we should have got under the contract."

Then on page 58, half way down, he was asked—

"Q. Did you make any coal contracts in March or April, 1920?—A. No, the only coal we took was from the Y. and O. Company under our contract."

It is all very well for Mr. Hanna to make these speeches when he comes here, but we have the definite statement made here that the only coal taken was under that contract. Mr. Hanna cannot take the position that when money is voted by the people of Canada and committed to him for the time being as General Manager of the Government Railways, that we have no right to ask him questions as to what he has done with that money.

Mr. HANNA: No, I do not take any such position and never have.

By Mr. Macdonald:

Q. What do you say?—A. What I say is this that whilst the company is carrying on its business during the current year, when it is making contracts for the purposes of the current year's business that to produce a contract which we are going to use as a basis for making other contracts, if that contract is disclosed and the information goes out, will you gentlemen tell me what value we can expect to secure in making competition prices. That is my whole point.

[Mr. D. B. Hanna.]

Q. The result is you are saying what I say is correct. You say that by virtue of being General Manager of the Government Railways you can make a contract for coal or anything else which contract should not be produced to the Parliament which furnishes the money because you think it would prevent you from making favourable contracts with other people. That would apply to every expenditure in the public accounts whether for coal or anything else.—A. There is not anything we have done that will not bear the light of investigation.

Mr. MACDONALD: Then state the facts.

Mr. HANNA: I am stating the facts, but I must state them my own way.

Mr. MACDONALD: State the facts and do not make speeches. Act as any other witness is required to act and state the facts.

The CHAIRMAN: We hope all witnesses do that.

Mr. HANNA: There is not an article of any value purchased by the National Railway System that is not purchased upon a competitive bid. Now I submit that if we have to come here and produce all our contracts—because if you admit the principle in this one case there is no knowing where we will be put—I say therefore we should not be asked in the interests of the National Railway System to produce our contracts which are current. If we are to get the best figures, whether for coal, steel or cars, we should not have our efforts—how will I put it—our efforts or ability to secure competitive prices defeated by disclosing what our contracts are.

Mr. MACDONALD: We are not asking you to disclose anything with regard to the future.

A MEMBER: I protest against the witness being interrupted.

The CHAIRMAN: I am endeavouring to prevent the witness being interrupted.

Mr. MACDONALD: Referring to the point you made at the beginning, I want to call your attention to the statement made by Mr. Vaughan at page 58 where he said:

“The only coal we took was from the Y. and O. Coal Company under our contract.”

Then he was asked—

“Q. Have your full requirements under this contract been met?—A. On the occasion to which I have referred they were not. There was such a demand for coal on the other side that the American railroads confiscated the coal we were getting under the contract. The Company shipped up 750,000 tons short on their contract and we had to go out and buy up coal to protect our requirements.”

It would seem to me the inference from that was that coal was delivered under the Y. and O. contract in the period mentioned when this was put in the Auditor General's Report.

Mr. HANNA: May I read one clause of this report?

The CHAIRMAN: It is a question whether the whole contract should go in or none of it?

Mr. MACDONALD: I am calling the witness' attention to the fact that Mr. Vaughan stated in the evidence which I have quoted that the coal under this contract was delivered in the period between April 1st, 1920, and April 1st, 1921, the financial year, under that particular contract, and I am calling attention to statements he made on May 30th to the effect that the only coal taken was under the contract of 1920.

Mr. STEWART: Has not this witness stated that the contract which he has in his hand does not cover deliveries made in the fiscal year 1920-21?

The CHAIRMAN: I think he has said that, but it is fair to ask the witness to explain the apparent contradiction between the statements made.

[Mr. D. B. Hanna.]

Mr. HANSON: Yesterday Mr. Vaughan corrected the statement he had made on the previous occasion.

The CHAIRMAN: We will put it that way if you like. Contradictory statements have been made.

Mr. HANSON: To a limited extent.

The CHAIRMAN: Let us hope that these contradictions are not carried to an unlimited extent. It is a fair question to ask the witness if he can reconcile the statements which have been made.

Mr. STEWART: Mr. Hanna is here and has the contract. We will make progress if we deal with the facts and not with any confusion of testimony on the part of Mr. Vaughan. Mr. Hanna has stated that this contract was made for future deliveries—that it does not cover any coal delivered in the fiscal year 1920-21 and if so the contract does not come within the orders of this Committee. It does not matter what Mr. Vaughan said: Mr. Hanna is here with the contract. Mr. Vaughan made a statement and he came back to the Committee and corrected it. Let us deal with the facts as they are and if it does not include deliveries made in the fiscal year 1920-21, it is not within the reference.

The CHAIRMAN: I was impressed with the knowledge of his business and the intelligence of Mr. Vaughan. He seemed to be quite alive to the facts when he first gave his evidence and on the second occasion, and it does seem to me that we have a right to probe this apparent contradiction. It seems to me that we cannot get the facts better. I am going to ask Mr. Hanna to reply to the question. I think he understands it.

Mr. HANNA: Quite clearly. The contract is dated 15th June, 1920. I should preface by saying that we endeavour to make and do make all our contracts for coal about the date of the opening of navigation. The contract provides:

“Said coal to be shipped in approximately yearly instalments commencing April 1, 1921.”

By Mr. Macdonald:

Q. How long was it to continue for?—A. It continues for three years. The first year's deliveries have been completed. The second year's business has not begun yet due to the strike troubles, and will continue for another year.

Q. When does it expire?—A. The end of the shipping season of 1923.

Q. April 1, 1924, it says?—A. April 1, 1921, to April 1, 1922, that is the first season. April 1, 1922, to April 1, 1923, is the second season and April 1, 1923, to April 1, 1924, is the third season when it is finished. Now if Mr. Vaughan made the statement which you have just quoted he must have made it in error. He tells me definitely that he did not make it, because it would not be a correct statement from the standpoint that there was no coal under this contract delivered among the items under this reference.

The CHAIRMAN: Mr. Vaughan I believe did make the statement. I do not doubt that he made it in perfect good faith and I have no objection to having the correction made. In my recollection it is borne out.

Mr. LEWIS: I maintain that he did not say it. The question was not asked whether any coal was delivered: The question was whether coal was purchased from that company.

The CHAIRMAN: He says “most of this coal that we had to pick up when our coal was confiscated by the American railroads,” I think that refers to deliveries and not to purchases.

Mr. HANSON: But it does not refer to this contract.

The CHAIRMAN: Going to page 58 I find the following—

“Q. Is that on account of the Government lines?—A. It was used on Canadian Northern lines.

[Mr. D. B. Hanna.]

“Q. Did you make any coal contracts in March or April, 1920?—A. No, the only coal we took was from the Y. and O. company under our contract.”

I will ask this question—Had you any other contract with the Y. and O. company than the one before you?—A. Yes, we have been doing business with them for the last fifteen years.

Q. Did you have a contract with them?—A. We had a yearly contract.

Q. In writing?—A. Yes, I think it was just an exchange of letters, and I think that was the way we made it.

By Mr. Macdonald:

Q. You have said that you have had a continuous contract with the Y. and O. Company for the last 15 years. On page 57 Mr. Vaughan was asked—

“How long does that contract run?, and his reply was “It expires next year, 1923.” Now you say it will not expire until April, 1924?—A. It is easy to explain that.

Q. Where was this coal to be delivered?—A. On the upper lakes.

Q. Were they to deliver it to you there?—A. Yes.

Q. What about the price?

Sir HENRY DRAYTON: What are we trying to do?

The CHAIRMAN: We are investigating a payment made to the Canadian Northern System for coal supplied to the Canadian National Railways.

Sir HENRY DRAYTON: Is there any suggestion of impropriety?

The CHAIRMAN: None at all.

Mr. MACDONALD: I asked for these papers. The situation is this: Looking personally through the Auditor General's report I find that in 1920-21 there was \$2,500,000 of the people's money taken from the Government Railways and paid for the purchase of coal to the Canadian Northern Railway. The charges for that coal range to as high as \$12 per ton. I moved for the papers in the ordinary way and when they are laid down I cannot find to whom they were paying this \$12 a ton. There is nothing in the documents that I have gone through to show. In the course of the ordinary questioning on May 30th Mr. Vaughan produced certain vouchers indicating purchases from different people in the United States with Canadian agents and elsewhere. I cannot find the name of anybody who received \$12 for the coal in the vouchers produced. Mr. Vaughan said that quite a quantity of this coal was taken from the Canadian stock pile and given to the Government Railways. I want to find out who received the \$12 for that coal and where it came from. I have never heard of this three year's contract before. In the course of this examination in the ordinary way it came out that there was a three years' contract with a company in the United States for the purpose of providing coal. Mr. Vaughan stated distinctly that the company furnished part of the coal that is included in this item.

Mr. HANSON: Not coal under this contract.

Mr. MACDONALD: Mr. Hanson knows more than I do about it: I never heard of the contract until Mr. Vaughan spoke about it and expressed his perfect willingness to produce the contract. There was no suggestion that there was any reason why it should not be produced. When we were going through the vouchers yesterday Mr. Vaughan stated that he would not produce the contract. I want to find out who got the \$12 per ton for the coal, where it was paid and under what contract. I have been looking through the statements brought down here, and I find correspondence about the purchase of coal, but not a ton of coal was purchased as the result of it.

Mr. STEWART: You asked for all the correspondence with all companies whether coal was purchased from them or not.

The CHAIRMAN: Every member will be given an opportunity to question the witness.

[Mr. D. B. Hanna.]

Mr. MACDONALD: I want the names of those from whom coal was purchased. I did not want to see the names of persons from whom no coal was purchased. All I want to see is the names of the people who supplied coal to the Canadian Northern Railway Company which is mentioned in this item in the Auditor General's Report. This is the first time in a long Parliamentary experience that we have to be told that Government money voted by Parliament must not be investigated—that we cannot find out who got it and how it was spent. If Parliament is going to surrender the right to find out from anybody—I do not care who he may be—where this money went the people of Canada will want to know why we are sitting here as their representatives. Don't you think it is only fair that we can get from Mr. Vaughan or Mr. Hanna a statement of who got the money under this item? I did not know anything about this contract—never heard of it until Mr. Vaughan mentioned it here in this discussion. He introduced the contract himself. I never heard of the Y. and O. Company in my life until then. He offered to produce the contract. Members of the Committee were led to believe that that contract related to this item of \$2,500,000 paid for coal. If not I would not waste time trying to find out about it.

Sir HENRY DRAYTON: That has nothing to do with it.

Mr. MACDONALD: It has. You cannot, Sir Henry, blow into the Committee at the last minute and tell us that it has nothing to do with it. Mr. Hanna says that he has a contract here which begins April, 1921. I want to find out something about the contract that related to deliveries in 1920. If this contract which he holds does not relate to the deliveries of that year, let him produce the contract that does.

Mr. STEWART: If I remember, Mr. Macdonald yesterday asked not only for the correspondence with this particular company, but the correspondence with every company.

Mr. MACDONALD: With every company that sold the coal.

Mr. STEWART: He wanted to know if there had not been coal purchased from other companies.

Mr. MACDONALD: Mr. Stewart is confusing two things. First, I wanted to get papers relating to the purchase of this coal. Mr. Vaughan said in his examination that the reason why this high price was paid for coal was because he could not get coal in the maritime provinces. He produced correspondence from one company which stated they were not able at the time to sell coal. I never asked for correspondence with people who did not deliver coal in the United States. It was all purchased in the United States—not a ton of it was bought in Canada. I want to know who the people are in the United States from whom coal was purchased. He has only produced correspondence from one Nova Scotia company; I want to know about the others.

Mr. STEWART: Might not all the correspondence be valuable in arriving at the wisdom shown in the prices paid?

Mr. VEIN: Is not the easiest way to get at it to let Mr. Hanna talk about the contract under which the coal was purchased?

The CHAIRMAN: I understand that Mr. Hanna has no objection at all.

Mr. HANNA: None whatever.

The CHAIRMAN: Although a contrary impression may have been given, Mr. Vaughan says the contract under discussion refers to deliveries subsequent to the item we are discussing. He says there were other contracts with the Y. & O. Company, either by correspondence or formal documents, and that these contracts are the ones to which the Auditor General's Report has reference. I am going to ask Mr. Hanna whether he will produce before us the contracts with the Y. & O. under which the purchases of coal represented by the entries on page W-189 in the Auditor General's Report were made, or any other company.

[Mr. D. B. Hanna.]

Mr. HANNA: There is not the slightest objection to producing any bit of paper or contract that we have covered by that reference.

Mr. MACDONALD: That is all we want.

Mr. HANNA: The point I want to impress is this: They represent telegrams, verbal communications and some contracts. As you all know in 1920 it was not a question so much of making contracts as it was to procure coal at any price to carry on our operations. There is no reason in the world why we should not tell you all about that item.

The CHAIRMAN: Then we are all at one.

Mr. MACDONALD: We understand that Mr. Hanna has no objection and will give through Mr. Vaughan the information we require as to the coal which was purchased that year.

Mr. HANNA: No objection at all.

Mr. MACDONALD: I know very well as a member of the Committee that my right of examination is confined to the years 1920 and 1921. I cannot go outside of that.

Mr. MCCREA: We all realize the difficulty of getting coal or any other material in 1920, but this is a contract made in 1920 for the delivery of coal in 1921, 1922 and 1923. What advantage was there in placing a contract for the delivery of coal in the years 1921, 1922 and 1923? Was it wisdom on the part of the management to make such a contract?

Mr. HANNA: We think so. We think it was a very good contract. It has proved so.

Mr. MARTELL: What are the prices to-day?

Mr. HANNA: The prices to-day have not been fixed. This contract is of such a nature that even when the strike ends and the miners go back to work, that no matter what rate they pay the miners our maximum price is here.

Mr. MARTELL: My whole contention is that we have had a ruling under which we are only to get information on the items which appear in the Auditor General's Report. Now you are giving evidence on a contract which is not before us. That may be a matter to be dealt with at a future time, but at the present time let us keep to the items as they appear in the Auditor General's Report.

Mr. HANNA: The question was asked and I was replying.

The CHAIRMAN: This was in reply to a question asked by Mr. McCrea.

Mr. VEIN: In the statement made generally by Mr. Hanna there were a few words which though they may have no bearing on the item under discussion are incidentally connected therewith quite closely. For instance, the question put by Mr. McCrea as to the advisability of binding the Canadian National Railways for a period of three years was to my mind absolutely irrelevant. Mr. Hanna has cleared the ground. He says they have a maximum price at any time. It was in the interests of the Committee that we should know that. I want to ask another question which might clear the ground for further discussion in this respect. Mr. Hanna has stated that it would not be in the public interests to give out, while the contracts are in force, the details of such contracts because it would hamper them in the purchase of supplies. I should like to have information which Mr. Hanna can give in two minutes—I am not quite clear on that point so far as the disclosure of the contract would affect competitive purchasers. It seems to me if the existing contract is known to the public when you are dealing with prospective sellers to your railway, if your contract is known the prospective tenderers will surely be apt to tender at a lower competitive figure. That is a point on which I want to be informed. I admit frankly that I am not an expert in such matters, but I want information from experts. I for one would be extremely reluctant to bring before the Committee or the House anything which would hamper the administration of our

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national roads, but it seems to me in any ordinary business if in 1920, for instance, I purchased coal at \$6 per ton, and I am inviting tenders for the supply of coal for 1921, if it is known that I purchased at \$6 in 1920, it would be likely to result in getting lower tenders. On that point I should like to get information.

Mr. HANNA: Mr. Chairman and gentlemen of the Committee, when we send out our tenders to all of the coal operators in the Maritime Provinces and invite tenders from the American companies, the prices of the coal vary in accordance with the quality of the coal to be delivered. Our experience has been, particularly in the Maritime Provinces, that all the operators hold back and we cannot get tenders in. We are in this position to-day that although we called for bids a month ago not one tender has been received yet.

Mr. LOGAN: You know the reason.

The CHAIRMAN: You are rather getting away from Mr. Vien's point. I will sum up his question: Is it not wise when you are tendering to allow people to know what you paid before in order that they may be led to tender beneath the price you have been paying? Is there a business rule to the contrary?

Mr. HANNA: When all is said and done, when we get the tenders in and we know that we have overlapping contracts if we cannot get nearer the figure the tender is thrown out. We say "you will have tonnage at a lower figure; you can take it or leave it. The result is while we are getting tenders in, we go over them and in 19 out of 20 cases we never close for the lowest figure offered. We try to get a little lower price. If you let these figures be known it will to some extent hamper us and we do not feel that the information should be given out.

Mr. VIEN: That is just the point. You say even if it were known it would not bring the tenderer to offer a lower tender, but I hardly can see how it would bring the tenderer to offer a higher figure.

The CHAIRMAN: It might lead the tenderer to tender just under the price that the railway had been paying before. My own opinion is, Mr. Hanna, that it is not the price which you have been paying before that governs, but the best price they can get for the goods.

Mr. LOGAN: Referring to a statement made by Mr. Hanna about the tenders called for in the maritime provinces, there is a reason for the delay of the mines in tendering. There is a reason which Mr. Hanna started to give when you shut him up. Let me say, as a member of this Committee and suggest to Mr. Hanna that the position he is taking in reference to disclosing the prices of contracts is a position which might have been taken a year ago and I am not sure that it cannot now. If the contract is not disclosed it will arouse suspicion in the minds of the people that there is something wrong. The people want the book open. We must know in this country where the public money is paid and how it is paid and especially in the maritime provinces where we are interested in the sale of coal to the Government railways. We are interested in the contract which extends to 1924. To refuse to produce this contract to my mind is a serious blunder.

Mr. LEWIS: I am just wondering whether those mine-owners in Nova Scotia are waiting for this disclosure before sending in their tenders?

Mr. LOGAN: It is unfair for a member of this Committee to make such an insinuation in reference to the coal mine operators in Nova Scotia. Let Mr. Hanna answer the question and we will see why.

The CHAIRMAN: Mr. Hanna will you please continue your observation concerning the mine-owners of the maritime provinces.

Mr. HANNA: I regret that the discussion should get into the position it has assumed this morning. While we sent out tenders a month ago there has been a strike and the Conciliation Board is sitting, and the definite basis on which miners

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wages are to be paid has not yet been settled. We are not complaining. I do not want to extend this discussion but I want to say to Mr. Logan that after the management has completed its work and has made contracts and these contracts have been fulfilled I have no objection that they should be disclosed. I have no objection to disclosing everything connected with the Government railways. The last thing I want is that a suspicion should be aroused in the country that we have refused to give information. I have taken the ground ever since this was a national system that there should be a small body of parliamentarians who would sit in with us with our annual report, and we will endeavour to answer every question they wish to put. It does not alter the specific fact that the management, if it has the confidence of the Government and of the people as a whole, should not be trammelled or circumscribed in their efforts by the disclosure of information which would have the effect of probably increasing the price of the goods that they have to purchase.

Mr. VIEN: The question is whether it would have that effect. In ordinary business when there is a falling market, if you advertise under what conditions you purchased goods last year and invite tenders, the tenderers will be prompted to underbid the price of last year, considering at all times the conditions of last year and the conditions of this year; and besides if they know that last year's tenders were sent in by so and so and that the lowest was so and so, this year they will be prompted by that very fact—if they have a knowledge of it—to try and underbid the successful tenderer of the previous year and that is a point on which I want expert advice, to know whether it really has that effect.

Mr. DUFF: I think it is only due to this Committee that Mr. Lewis, who made the insinuation that the operators of the maritime provinces were waiting to find out how much is paid for coal under that contract before putting in their bids, should be met. That is a very unfair insinuation and he should take it back.

Mr. LEWIS: I just asked the question.

Mr. DUFF: It was more than a question; it was an insinuation.

Mr. VIEN: The insinuation was met by Mr. Hanna's reply.

Mr. DUFF: In the Auditor General's report there is an item of two and a half million dollars paid for a certain quantity of coal and Mr. Macdonald figures out that this coal cost \$12 a ton.

Mr. MACDONALD: Not all of it. The prices vary from a very small quantity at low figures and a greater quantity at \$6.25 and at other higher figures. Over 150,000 tons were purchased at an average price of \$12.

Mr. DUFF: It seems to me the easiest way to settle this matter is for the Railway Management to produce its invoices. Every purchase must have been accompanied by an invoice and that is the quickest way to find out what has been paid. We will see at once whether that \$12 per ton was f.o.b. at the mines or c.i.m. here. In that way we can get the information and will not be beating about the bush. I suggest that all the invoices be produced for this coal which has cost the country two and a half million dollars.

Mr. HANNA: There is no objection whatever.

Mr. MACDONALD: With regard to your statement about the disclosure of coal prices I find in the Hansard that in answer to Mr. Jones of New Brunswick you gave the prices of freight paid to March, 1922—the Government gave us the information, but it would have to come from the management—you gave the prices of certain coal you purchased in February, March and April in the United States, and you went on to say that the Canadian National Railways had a contract with the Y. & O. Coal Company of Cleveland expiring December 31, 1923, for approximately 1,000,000 tons per annum. I understand from Mr. Vaughan and yourself that you take the position that this coal for which you made this contract is for use in points west?

Mr. HANNA: Yes.

[Mr. D. B. Hanna.]

By Mr. Macdonald:

Q. Therefore the prices would not be of any particular interest to the mine owners in Nova Scotia?—A. Certainly they would not be interested.

Q. Then why not give us the contracts?—A. Because they have no bearing on the question.

Q. You are going to give us the contracts relating to this amount which we are investigating?—A. Yes. What I want to say—and I regret to say it—is that the communication you are reading and some of the replies made by the Government were semi-confidential information sent to the Minister of Railways. When these questions were asked I protested against them being answered. Do not misunderstand me: Any kind of information the Minister of Railways asks for we supply. There is no hesitancy about that. Certain questions come up in the House and we send the information, but we say to the Minister of Railways “We do not think in the public interest the information should be disclosed.” Sometimes that information has been disclosed. We cannot prevent it but we have made our protest: The responsibility is taken off my shoulders.

Q. As a matter of fact you claim that in this particular case the contracts for the supply of coal to Port Arthur and the west if disclosed would not amount to anything so far as Canadian coal producers are concerned?—A. Certainly not. I want to make it clear that I do not wish to cast reflections on the Minister of Railways but it is for the protection of the board of directors.

Mr. MACDONALD: I want to say one thing in conclusion as a representative of the people, I will not waive my right to examine into every item that appears in the Auditor General's Report.

The CHAIRMAN: I understand, there is no conflict about that. We can enquire into anything which appears in the Auditor General's accounts. Let us sum up the situation as I understand it: Mr. Hanna says that the contract which he has been asked to produce does not cover the deliveries of coal under the item mentioned in the Auditor General's Report; that there are agreements in writing by letters which do cover these items and those he is prepared to produce and will have produced before the Committee.

Mr. HANSON: And invoices.

The CHAIRMAN: And invoices.

Mr. MARTELL: And from whom purchased.

Mr. LOGAN: Why should the Chairman make a speech? Let the witness answer the question.

The CHAIRMAN: I do not think I have unduly taken up the time of the Committee. I will try not to talk again. As I understand, Mr. Hanna has undertaken to have produced before this Committee any contracts, invoices, memoranda and papers touching the item in the Auditor General's Report on page W-189 an aggregate of \$2,429,984.08—is that satisfactory?

Mr. MARTELL: Yes.

Mr. MCCREA: Mr. Hanna's objection to submitting this contract is that if the public knows what it contains the competing companies might take advantage of it. I think Mr. Hanna is old enough in business to know perfectly well that while the public may not know what is in this contract, any competing coal or mining company who want to know what that contract contains have ways and means of finding out what is in it.

A MEMBER: How?

Mr. MCCREA: They can get it. I venture to say that I will find out anything that I want to know about what my competitor is doing. The public are not going to take the trouble to find out, but the man who wishes to know the provisions of

{Mr. D. B. Hanna.}

this contract can find ways and means of getting it and there is no reason whatever why it should not be made public. Mr. Hanna is acting in good faith and thinks it is in the best interests of the people that the contract should not be disclosed, but I differ from him and I claim that anybody interested in knowing what the conditions of this contract are, knew it long ago, and if they do not they can easily find out.

Mr. LEWIS: Do you say that this item does not refer to the contract under discussion?

The CHAIRMAN: That is my impression.

Mr. MACDONALD: Mr. Hanna has sworn to that. All this has arisen from Mr. Vaughan's stating that some of the coal was obtained under this contract. In regard to the statement here, Mr. Vaughan said that this coal was all purchased in the name of the Canadian National Railway. He said:—

“Of course these accounts are kept separate. That would not apply so much to coal as to other supplies, because this was bought by the railway and delivered and unloaded on a pile and charged at actual cost.”

Are the items purchased from the Canadian Northern Railway Company charged at more than the actual cost?

Mr. HANNA: No.

By Mr. Macdonald:

Q. Why was it in this particular instance that the Canadian Government Railways did not buy coal from the people who directly sold it? Why should you have your bookkeeping conducted in that way? Why should not the Government Railways accounts show the various companies from which the coal was purchased?—A. For the reason we were dealing with the same firms for coal for other parts of the system. There is no special point in this, as far as I can see about who was paid for it originally.

Q. It is a question of book-keeping: You may charge up against the Canadian Government Railway System what is purchased from the Canadian Northern Railway?—A. It is not kept separate. We are buying coal for the general system of the Canadian National Railways.

Q. You are the general manager of the Canadian National Railways?—A. There is a Board of Management.

Q. But you do not keep accounts for supplies for the Canadian Northern Railway?—A. In 1921 the whole system was consolidated for operating and purchasing purposes.

Q. I do not see why you should have to go to the Canadian Northern Railway when there were other companies that sold coal. The Canadian Northern Railway buys coal and comes in as a middleman. There is nothing to indicate who sold the coal in the first instance and that is what we want to find out.

A MEMBER: The invoices will show.

By Mr. Martell:

Q. Did you charge the Canadian Government Railways any greater price than was paid by the Canadian Northern for the coal?—A. No.

By Mr. Logan:

Q. May I ask, Mr. Hanna, again why was this coal bought from the Canadian Northern Railway Co., and not from coal companies direct—what is the reason?—A. Mr. Vaughan will explain all that to you if you will permit him.

By Mr. Martell:

Q. When you produce these papers will you produce also the cost price of the coal to the Canadian Northern and the cost price to the Canadian National Railways?—A. Certainly.

[Mr. D. B. Hanna.]

Q. Both these lines were owned by the Government at the time the transaction took place?—A. Undoubtedly.

The CHAIRMAN: When would you be able to give us the invoices?

Mr. VAUGHAN: In two or three days.

Mr. HANNA: There are a good many of them. However we will get them here.

Mr. MACDONALD: Let us get the invoices and we will see what further we require.

Mr. MARTELL: Can you bring us a statement showing the prices paid by the Canadian Northern for coal so as to show comparatively how the prices of coal you bought in the United States, taking into consideration freight, duty, etc., will compare with prices you would have had to pay for coal bought in Nova Scotia?

Mr. HANNA: There never would have been an item like that in the Auditor General's report if we could have procured coal in the maritime provinces. That is the position and it should be demonstrated beyond a peradventure when you get the invoices. It was because we could not secure coal in the maritime provinces.

Mr. MACDONALD: We claim that you declined to take coal in the maritime provinces under your contract last year while men were walking the streets for want of employment.

Mr. HANNA: That has been stated before and it is absolutely untrue.

By Mr. Macdonald:

Q. Why not carry out your contract?—A. Because we did not need the coal at the time. The gross earnings of the National Railway system during 1921 dropped away very substantially. Mr. Vaughan will give you the total tonnage that was used on the locomotives in 1921, and he will show you that that tonnage was substantially lower than in previous years. He will also show you that we took coal from the maritime operators and put it in the stock pile and we have to-day four months' supply on the Intercolonial Railway.

Q. What about the Transcontinental?—A. We supply coal from the maritime provinces as far west as Cochrane.

Q. If you will only do that and see that the order is carried out we will forgive you many shortcomings.—A. I have no doubt from Mr. Macdonald's standpoint I have a great many shortcomings.

Mr. MACDONALD: I do not believe in the principle of committing to anybody or any organization the task of running any great enterprise with an annual deficit of \$72,000,000 without a prospect of finding out how the money was spent.

The CHAIRMAN: If there are no other questions I will excuse Mr. Hanna and we thank him for the information he has furnished.

Mr. VAUGHAN recalled, said: On page 58 of the report the question is asked "What are you paying now—\$4.93 per ton?" and the answer is "No, we have not taken any coal from them since September 4th last year." If you read the context to that, of what took place previously, we were referring to 1921 and 1922 coal, but I did not make any statement that we took coal from the Y. and O. Company in 1920. The court reporter came to me after the meeting, however, and said "there may be some inaccuracy in this transcription." I asked our own officers if we took coal in 1920 from the Y. and O. Company and they said we did not. There is another statement made by Mr. Macdonald: He says that I introduced the Y. and O. contract myself. If you will refer to page 57, Mr. Macdonald is reported as saying "I see a statement here that we have a contract with an American coal company for a large supply of coal" and he asks the name of the company. That question had been answered in the House and I was asked for particulars about it.

Mr. MACDONALD: I asked you "what is the name of the company?" I did not know anything about it and did not know anything about a contract with the Youghiogeny and Ohio Coal Company.

[Mr. D. B. Hanna.]

Mr. VAUGHAN: Certain reference is made to the price of \$17 a ton. That included freight, in some cases \$5 from the United States mine, and the duty. A large part of that coal was taken from the stock pile and goes back to the ledger of the previous year. Our books of course are open to examination but it is going to be exceedingly difficult to trace our invoices back for a period of years. The invoices will be furnished without question but I wish to point out that we do not distinguish between the Canadian National Railways and the Canadian Northern Company. All this coal was bought by the Canadian National Railways, and some goes into a Canadian National stock pile, and some into the Canadian Northern stock pile and if the Canadian Northern gets coal it goes to the Canadian Northern, but the coal is purchased by the Canadian National Railways and is for the one organization. The point I would like to bring out is that this coal was delivered from the stock pile and I do not know how we are going to arrive at that.

Mr. MACDONALD: Let me suggest in the first place that you get invoices showing all the coal purchased in the United States and delivered to the Canadian Government railways. The invoices are to the Railway Department and it is very easy for you to find out which coal was purchased from the United States by the Company and turned over to the Canadian Government railway. That information can be sent to the Chairman of the Committee and then if you go on with the process of finding out the particular lots taken from the stock piles we can get that without difficulty at all.

Mr. VAUGHAN: We will be very glad to do that.

By Mr. Macdonald:

Q. Where do you get the coal that is in the stock pile?—A. From the United States companies. The bill is arrived at by the balances from month to month going over a period of years and averaging the cost of the coal. I should like to say with regard to Nova Scotia coal that we tried in 1920 to beg, borrow or steal coal from every mining company. We furnished Mr. Carvell with a list of our contracts and he wrote to every company with which we had a contract in Nova Scotia and telegraphed them to try if they could increase their deliveries.

Q. The correspondence shows that that was previous to July, 1920, because I have here a letter from Mr. Carvell written to you at that date speaking of changing conditions?—A. You will find subsequently correspondence still urging them to furnish coal.

Q. I have also a letter dated the 16th December in which he says they can furnish coal.—A. That was after the coal shortage was over in 1920.

By Mr. Logan:

Q. At the time they could not furnish coal, is it not a fact that the price you offered was \$2.00 below the market price?—A. We were asking for coal at contract prices.

Q. I know one company that could have sold all its coal at \$2.00 more than you were willing to pay. They had an offer from a company on that basis, and they lost \$200,000 because they sold to you at the contract price.—A. They made a contract at a lower price.

By Mr. Macdonald:

Q. When the American companies made a contract price, they did not stand on their price. We had a case where they supplied coal above the contract price and draw on you for the full amount.—A. I am not here to make a complaint against the Nova Scotia collieries in any way but every one in Canada who is running an industry appreciates and knows the difficulty of getting coal in 1920. If you ask Mr. Carvell, Acting Fuel Controller, to tell his experience of trying to get coal for our railways and industries he will tell you how difficult it was.

[Mr. D. B. Hanna.]

By Mr. Lewis:

Q. You had a contract for Nova Scotia coal in 1920?—A. Yes.

Q. And the price under that contract turned out to be lower than the market price?—A. I do not know what the coal was sold at to the people down there, but when a company takes year after year the output of a mine we expect preferential treatment from that mine.

Q. In 1920 in spite of the contract under which the Nova Scotia mines were delivering coal you went down to the States to buy coal at any price you could get it for?—A. Yes, the railroad would have been closed if we had not done so.

Q. Would it not have been fair to enhance the price to the Nova Scotia mines?—A. They could not give us the coal.

Mr. MACDONALD: It was only the mines engaged in the bunker business that could not. The others could.

Sir HENRY DRAYTON: In connection with the Committee's request for invoices, I should like to understand what it is. I assume that you are asking for invoices that cover the items which you are investigating. Am I right in assuming that if those invoices are given under current contracts subject to the difficulties Mr. Hanna speaks of, they are not to be produced, or are they to be produced.

The CHAIRMAN: I would say that all the invoices touching these items in the Auditor General's Report have to be produced.

Sir HENRY DRAYTON: That is whether their production would be detrimental to the public interest or not.

The CHAIRMAN: Yes, this Committee should investigate the figures.

Mr. MACDONALD: And Mr. Hanna says that he does not want to be interfered with in the spending of the public money.

Sir HENRY DRAYTON: He has no objection whatever to producing all the vouchers in connection with past contracts but if you produce vouchers for payments already made in respect to contracts which are still existing you are doing just as much harm, according to Mr. Hanna, as if you produced the contract itself—that is if you have an existing contract. I think we should be clear about this: There is no good drifting about it. Mr. Hanna is not the only person interested: We are all interested in seeing that the promise of the Government to run these railways as a business proposition is implemented. We know that it cannot be done if current business is to be brought up here and enquired into. We know it is perfectly impossible to get cheaper prices for example when other people are paying greater prices. You cannot do it: We would simply ruin the business. All we want to know definitely is exactly where we are—whether this Government system is to be run as a business proposition or whether everything the management are doing is to be published before those transactions are closed to the great damage of the system. I would make another suggestion which might be considered as an evidence of good faith on the part of the Government in connection with their undertaking, and that is this that in dealing with all these contingent matters which may or may not injuriously affect the railway system but which the Management think will injuriously affect the public undertaking, that before the trade generally know exactly every single thing that is being done a suggestion should be made that there is something wrong. It is all very well to say that Parliamentary practice gives us the privilege of enquiring into everything. That is taken for granted: The Parliamentary rules enable you to investigate everything. My suggestion is that the matter should be first submitted to you and the Minister of Railways. The complainant, if you like, should have every opportunity of coming to you and if you find that there is any appearance of anything being wrong of course you can open it up absolutely. The suggestion is made that most of these complaints come

[Mr. D. B. Hanna.]

from competing tenders. We have had experience enough here to-day to know that. I do not want to take the position that because Mr. Macdonald, for example, is very closely connected with the Empire Steel Company that that is what interests him. He has a proper interest to see that the mines of Nova Scotia get all the sales they can and I should like to help him and I did last year as the contracts show, but under all these circumstances it is all the more important that this enquiry should be gone into in such a way as not to imperil the future of the Canadian National System even if the laudable object in view should be selling Nova Scotia coal. I think we should know exactly what our policy is.

Mr. LOGAN: I submit that that speech should have been made in Parliament and not here. It is a matter of policy for the Parliament of Canada to adopt: We are here to investigate certain questions. We have the right to investigate them but we are not here to lay down a broad policy which must come from the Government of the country.

Mr. MACDONALD: Sir Henry Drayton's speech is entirely beside the mark. I do not think he has been following the discussion closely. The situation is that Mr. Hanna has a contract from which he has quoted and which he says is in existence, and we have from Mr. Vaughan the facts in connection with it. What we are here investigating is where this two and a half million dollars went in 1920 and 1921. We have a right to investigate it in full because if we are to be stopped by any high flaunting statements, then we will have coal charged at higher prices than should be paid.

A MEMBER: Is that the gravamen of your charge?

Mr. MACDONALD: I am not making any charge. I want to find out the fact about this expenditure of two and a half million dollars for United States coal which might have been got in Canada. In the gratuitous remarks made by Sir Henry Drayton about my connection with the British Empire Steel Company I want to state to him it is true that while I was not in the House of Commons I acted as solicitor for the British Empire Steel Company in regard to certain special legal matters which had no relation to the business of Parliament, but I have no connection with the British Empire Steel Company now. I represent and was elected to this House to represent specially in this chamber the views of the coal miners of my county who gave me their confidence to an overwhelming degree in the last election contest. I am here by the votes of the coal miners and not by the influence of any company. These are the men who sent me here and I will look after their interests. I am here to find out in their interests why Mr. Hanna and his confreres and others who are spending Government money have gone to the United States this year, last year or any other year to buy American coal while our miners are walking the streets. I will exert my Parliamentary rights to the limit in order to find that out. In regard to the suggestion of influencing Nova Scotia contracts at this time, I say Mr. Hanna has not followed that subject at all. He says there is a contract for coal for the West and he is going to buy coal in Nova Scotia. What we want is that he should buy all the coal he can in Nova Scotia. So far in the documents I have here I find that some coal from the United States went as far east as St. Hyacinthe. These points could be supplied from Nova Scotia and should not be supplied from the United States if he can get it in our own country. I understand Mr. Hanna has undertaken to submit to you, Mr. Chairman, information showing where the coal was purchased that was turned over to the Government Railways.

Mr. HANSON: Do you suggest that the conditions which exist to-day in Nova Scotia, the miners walking the streets, existed at the time this two and a half million

[Mr. D. B. Hanna.]

dollars was spent for the purchase of coal? If so, there is a good deal in it; if not, it falls to the ground.

Mr. MACDONALD: I do not propose to discuss it now.

Sir HENRY DRAYTON: I think I was quite clear in what I said about Mr. Macdonald. I pointed out that so far as I was concerned I was sure that he was actuated by no selfish interest and that I was entirely with him. The fact is, and he is right—he has been very closely associated with the British Empire Steel Company. What I ask is this, whether it is the idea of this Committee in the production of vouchers to include those relating to current contracts or not. All I want to know is what you are going to do.

Mr. McISAAC: I see this is more of a debating club than an investigating committee and I rise to make an observation or two myself. For very many years I have been a member of this Committee, except for a short interval, from 1895 to the present time, and I always felt that it was the duty of this Committee to investigate everything on oath and ascertain where and when and to whom money was paid for articles purchased by any department of the Government. But I see this Committee is attempting to-day to show that such should not be the case. I think the contention is perfectly right that when these vouchers are brought down they should show what was paid and that ends it. I do not see why this debating club should go on and I have got up to show that I am one of the debaters too.

The CHAIRMAN: My decision is that anything relating to this item of \$2,429,984.08, with any vouchers in support of these items, are properly before this Committee, even though they should relate to current contracts. With all deference to what Sir Henry Drayton says my view is that even if it could be shown—which I think it would be difficult to show—that it might possibly hamper the business of running the railway, nevertheless the paramount interest is the retaining by Parliament of its control of the expenditure of public money. I must say in fairness to the officials of the railway they have stated that they are perfectly prepared to bring in all the invoices under this item.

Mr. MACDONALD: I suggest that Mr. Vaughan should undertake to send the invoices with reference to the purchases of coal from the United States companies as soon as possible, and going on at the same time with information as to deliveries at stock piles. As soon as we get the information this Committee should meet at the call of the Chair.

Mr. VAUGHAN: We will send them as soon as we can.

Mr. MARTELL: By Tuesday?

Mr. GRABURN: I do not think we can have them here by Tuesday.

Mr. MACDONALD: What I stated was this, that Mr. Vaughan should send here the vouchers for coal you purchased direct from the American people as you gave them to the Auditor General when you got the money from the Government. You can then follow with the vouchers for the stock pile deliveries, but we should have the others first.

Mr. VAUGHAN: What you want us to submit right away is a statement of what was purchased for the Canadian Northern making up this amount.

Mr. MACDONALD: I was making a distinction between two classes. You say that some were purchased direct from the American people and turned over to the railways. These can be supplied readily I understand and those relating to coal taken from the stock piles will take longer.

Sir HENRY DRAYTON: We should have the whole story with the witnesses in the box. We should not have a few invoices such as my hon. friend wants. What is the good of having a lot of argument on a partial case?

[Mr. D. B. Hanna.]

The CHAIRMAN: We need not meet until everything is before us, but it does seem to me that there is an advantage in having some of the material as soon as possible and I cannot see any objection to the procedure.

Mr. MACDONALD: My suggestion is that the meeting should be at the call of the Chair.

Sir HENRY DRAYTON: We want to help Mr. Macdonald as far as possible but we should not meet until the information is complete.

Mr. MACDONALD: Remember you are not Minister of Finance, and your Government is not in power.

Sir HENRY DRAYTON: I make the suggestion that any direction from the Chair should not be in the nature of a partial investigation.

The CHAIRMAN: Partial means incomplete?

Sir HENRY DRAYTON: Yes.

Mr. MACDONALD: Sir Henry Drayton has not read the evidence. The information is that some of this coal was bought directly from people in the United States. There are also deliveries from time to time at various points from the stock piles. The information relating to these matters might take some time to be prepared. I should like to find as soon as possible, about the first; The others can come later. As soon as I have seen those it may be necessary in my judgment to call the Committee together.

Sir HENRY DRAYTON: In the first instance I entirely agree with my hon. friend but I also hope the Chairman will agree with me that because there has been a change of Government there is no reason why a steam-roller method should be adopted. I am only submitting that the proper practice means that every detail should be covered. I do not appreciate my friend's other suggestion and that is that when he gets some little item which he thinks will support him in his complaint he shall have the right to consult the Chairman and ask him to proceed with it. My opinion is we should have the vouchers as a whole, the invoices as a whole as covered by your ruling, before we take them up.

Mr. MACDONALD: The difference between the two classes of vouchers is this, one would relate to coal taken from the stock pile and the other to direct purchases of coal. The correspondence with regard to them calls for an investigation for one class and another investigation for the other.

Mr. CHAIRMAN: It will be a much easier and shorter job for the railway officials to get together the invoices for coal which did not go into the stock piles. I am asking them to get this information at the earliest possible moment and send it down. If they constitute a sufficient body of documents to warrant calling the Committee together, I will call the Committee for the consideration of those. I will also urge upon the officials to complete the whole thing as soon as possible so we can have it before us at the earliest possible date.

Mr. GRABURN: We have already furnished all the invoices for direct deliveries. We cannot give any more. The only thing we can furnish now is invoices stating our average prices. We have actually given an invoice for every car of coal shipped direct to the Canadian Government Railways.

Mr. MACDONALD: There is not a single voucher here to show how you arrived at the price of \$12 a ton for coal.

Mr. GRABURN: No, because that is for coal from the stock pile.

Mr. MACDONALD: You say now that \$12.00 coal was from the stock pile.

Mr. GRABURN: Yes.

Mr. MACDONALD: You have given me correspondence with people in the United States which did not result in the purchase of coal.

Mr. LOGAN: Have you brought down the Y. and O. invoices?

[Mr. D. B. Hanna.]

Mr. GRABURN: All that went into the Canadian Northern stock piles.

Mr. LOGAN: We are to get these vouchers?

Mr. GRABURN: Yes, that will not take a long time.

Mr. MACDONALD: I will check up those vouchers and see what they cover. I am very much surprised to find all the \$12.00 coal from the stock pile.

Mr. GRABURN: For some of that coal we paid \$13.00 a ton. As I understand it I brought before a copy of every bill made against the Canadian Government Railways for a year. In every case where coal was shipped direct to the Government Railways I brought the invoice. Where it was from the stock pile I could not, because the invoice would not agree with the prices. We can establish that from month to month.

By Mr. Macdonald:

Q. The coal you supplied from the stock pile you fixed at a price that was different from what you paid for it?—A. The prices ran from \$6.00 up to \$12.00. We averaged it up every month.

The CHAIRMAN: How long will it take to get the vouchers for what you shipped out of the stock pile?

Mr. GRABURN: Eight or twelve days.

Mr. VAUGHAN: Is there anything else wanted before we go? I do not want the Committee to think there is anything we do not want to supply.

Mr. MACDONALD: I asked for a statement in regard to deliveries for last year.

Mr. VAUGHAN: I have that here. I realized that you would ask for that.

Mr. MACDONALD: Can you give me the details of the different Companies?

Mr. VAUGHAN: I think I can.

The Committee adjourned to the call of the Chair.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 5—FRIDAY, MAY 26, 1922

NAMES OF WITNESSES

Hon. Mr. Greenfield, Premier of Alberta

Hon. Mr. Oliver, Premier of British Columbia



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

FRIDAY, May 26th, 1922.

The Select Special Committee appointed to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6th next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Mr. Watson, have you any statements that you were asked to prepare?

Mr. F. WATSON: (*Grand Trunk*) There was information asked for by Mr. Macdonald in connection with the wages. I had our men working on that yesterday, but they have not yet finished it. They promised to telegraph or telephone the information this morning, and I left word with them to send it on. I hope to have it before this meeting closes.

The CHAIRMAN: How many men have the Grand Trunk laid off since the recession of railway traffic commenced?

Mr. WATSON: I cannot give you those figures.

The CHAIRMAN: Are they available?

Mr. WATSON: They are available. They can be procured and I could get them and submit them.

The CHAIRMAN: I would like you to classify them a bit. I would like to know the number of men you have laid off.

Mr. WATSON: What do you mean by since the recession of business?

The CHAIRMAN: When did business commence to decline?

Hon. Mr. STEWART (Lanark): There was a peak?

Mr. WATSON: Yes.

Hon. Mr. STEWART: Then from that. When was the peak?

Mr. WATSON: I think it was in 1918 or thereabouts, or 1919. That was when our gross earnings reached the highest point.

Hon. Mr. STEWART: Was it before or after the armistice?

Mr. WATSON: I think it was immediately after.

Hon. Mr. STEWART: After the armistice?

Mr. WATSON: I think so.

Mr. HUDSON: Could we get a statement of the gross net earnings from 1917 onwards by divisions?

Mr. WATSON: What do you mean by divisions?

Mr. HUDSON: You sever the earnings?

Mr. WATSON: We can segregate the United States from the Canadian.

Mr. HUDSON: That is what I mean.

Mr. WATSON: But we do not subdivide the Canadian into divisions. You want it from 1917?

Mr. HUDSON: From 1917 to date.

Mr. SHAW: In the statement which you are going to prepare with regard to labour costs, have you any means of differentiating between the lower paid employees and the higher salaried officials, superintendents, general freight agents, and so on?

Mr. WATSON: I do not know that we have got that in condensed form, but it could be segregated if you knew exactly where to draw the line between what we might call the higher paid and the lower paid; I was going to say between what might be called the clerical staff and the actual practical staff, but unfortunately, the clerical staff could not be called highly paid men in many cases.

Mr. SHAW: I suppose you could tell to whom the award applies; the proportion of the labour cost divided between those to whom the various labour awards apply and those to whom they do not apply?

Mr. WATSON: Oh yes, we could do that very easily.

Mr. SHAW: That is, before the awards and after?

Mr. WATSON: Yes. Of course, the different awards applied to both what I call the working staff and also the clerical or office staff, to a large proportion of the office staff.

The CHAIRMAN: Mr. Hayes, have you any information with you that you were asked to present the other day?

Mr. HAYES: Just what information?

Mr. MACDONALD: Those schedules.

The CHAIRMAN: I am asking if you have any now ready that you were asked for the other day. Perhaps you were not asked for any.

Mr. HAYES: I don't think we were asked. I thought everything was cleared up. There was the Grand Trunk Pacific wages that Mr. Mitchell is sending down.

The CHAIRMAN: It is not here to-day at any rate.

Mr. HAYES: No.

Mr. MACDONALD: When do you expect those?

Mr. HAYES: They are coming down to-morrow night.

Mr. MACDONALD: We ought to have them on Monday, then?

Mr. HAYES: Yes.

Mr. MACDONALD: Is there any other information you could obtain?

Mr. HAYES: I don't recall any specific inquiry other than that, that was not answered, apparently to the satisfaction of the Committee.

Mr. HUDSON: Were you asked for a statement of gross and net earnings for a number of years back?

Mr. HAYES: No, I don't recall.

Mr. HUDSON: I would like to get a statement of the net and gross earnings from, we will say, 1910 onward. It would not take long to get that.

Mr. HAYES: For what portions of the system?

Mr. HUDSON: For all the portions. Your system was not a complete system under one head until 1915.

Mr. HAYES: Until 1918.

Mr. MACDONALD: Well then, for all portions from 1910 or 1912 onward.

The CHAIRMAN: The only thing would be their western lines, the Prairie country.

Mr. HUDSON: I would like to have the eastern lines as well. Of the Canadian Northern lines.

Mr. MITCHELL: When did the Canadian Northern system merge as it were, into the Canadian Government system?

Mr. HAYES: It was in 1918.

Mr. MITCHELL: Up to that time.

Mr. HAYES: The Canadian Northern System from 1910.

Mr. MITCHELL: Until the time it was merged into the Canadian Government System?

Mr. HAYES: Yes.

Mr. MITCHELL: Your printed annual statement would give you that. Give them to us separately.

The CHAIRMAN: Put it on the table. That will do, I suppose, Mr. Hudson?

Mr. HUDSON: Yes.

The CHAIRMAN: I have a telegram I would like to read this morning to the Committee. It is a telegram addressed to me from Vancouver (reads):—

“VANCOUVER, B.C., May 25th, 1922.

HON. McLEAN, M.P., Chairman Committee on Railway Rates,
Ottawa, Ont.

“Salmon canners fresh frozen and cured fish handlers on this coast demand equal consideration in any new agreement with the Canadian Pacific Railway made the Government in lieu of the Crowsnest agreement to the concessions suggested by Mr. Beatty in respect to reduced rates for lumber, grain, etc., as reported in the press to-day (STOP). They urge you to afford this matter your powerful assistance and advocacy.

B.C. Salmon Canners Assn.

W. D. BURDIS, Secretary.”

There is an impression outside that Mr. Beatty's statement or his suggested reduction of rates merely referred to grain and lumber. Mr. Motherwell, the Minister of Agriculture, writes me a letter from which it would appear that he has the same impression by reason of an answer given by Mr. Beatty to a question by Mr. Macdonald and he wants to see live stock products, fish, fruit, and all cereals considered as basic commodities. A sub-committee was suggested the other day to make a report to the Committee as to the class of evidence that might be received by this Committee upon the reference. Your sub-committee has had no chance to meet since then. Mr. Mitchell was observing Empire Day and Ascension Day in Montreal and Sir Henry Drayton was preparing to destroy the Minister of Finance this afternoon. Mr. Hudson and myself were here alone. We are too modest to go ahead by ourselves. We will try to make that report to-morrow. Mr. Oliver, the Prime Minister of British Columbia is here this morning to make a statement. I would like him to come up.

HON. Mr. OLIVER: I am advised by our counsel that some data which is required he has not been able to obtain and he is also very indisposed this morning and not prepared to go on.

The CHAIRMAN: That is the misfortune and disadvantage of having counsel. Reserving the right to present in complete form your statement later, would you like to say anything in a general way?

HON. Mr. OLIVER: I am desirous of facilitating the work of the Committee just as much as possible and I am equally desirous of making my stay here just as short as possible.

The CHAIRMAN: Your counsel does not look like he would ever get ill.

HON. Mr. OLIVER: Appearances are sometimes deceiving, but at all events I find he is quite indisposed this morning. If it is the desire of the Committee I will go down to the hotel and see my counsel and see just how far he would be prepared to go this morning. I can assure you I am just as desirous of facilitating the work of the Committee and advancing the work as much as I possibly can.

HON. Mr. STEWART (Lanark): Would there be any attempt on the part of the Committee to sit to-morrow?

The CHAIRMAN: No. To-morrow is Saturday.

Hon. Mr. STEWART (Lanark): The House is not sitting.

The CHAIRMAN: Is it not practical? I agree with that, yes.

Hon. Mr. STEWART (Lanark): It is suggested Mr. Oliver may go on. I think the general idea of the Committee would be that Mr. Oliver would be quite safe without counsel to guide him.

Hon. Mr. OLIVER: I might say I will be back in 15 or 20 minutes. I have no data here with me. It is down at my room at the hotel.

Mr. HUDSON: I don't think it would be fair to ask Mr. Oliver to go on under the circumstances. He surely is entitled to a little time. I think Mr. Greenfield is here now, and perhaps we can go on with him.

The CHAIRMAN: I quite agree with Mr. Hudson, it would not be fair to force Mr. Oliver to go on.

Hon. Mr. OLIVER: It is not a matter of forcing, Mr. Chairman, at all, because I know what these committee meetings are, and I know you have only a limited time in which to carry on your work.

The CHAIRMAN: You will be ready positively on Monday morning, Mr. Oliver?

Hon. Mr. OLIVER: Yes, I think so.

Hon. HERBERT GREENFIELD, Premier of Alberta, called, sworn and examined.

By the Chairman:

Q. You know the purpose of this inquiry and that it has specific relation to the Crownsnest rate agreement, which you have heard of, I suppose?—A. Yes, sir.

Q. Would you make your statement?—A. Mr. Chairman and gentlemen of the Committee, what I have to say this morning will be comparatively brief and with the permission of the Chairman I would like to submit it in the form of a brief memorandum, setting out general conditions in the Province of Alberta. Any discussion on the technical side of the matter will be taken care of by Mr. Symington, who is representing the three western provinces before this Committee, and who has a comprehensive knowledge of the question which I don't pretend to have. (Reads):

It is my desire to place before this Committee of the House of Commons, as briefly and concisely as I can, a statement as to general conditions in the Province of Alberta, and the vital bearing freight rates have upon general development, agricultural and otherwise, in that province. It is not my intention to discuss the question of the Crownsnest pass agreement from a technical standpoint. That will be done on behalf of the Province of Alberta by others who have made a complete study of the details of the question.

In order that the Committee may get a clear grasp of the commercial handicap under which agriculture operates in Alberta, and agriculture is our principal industry, there is attached to this memorandum a detailed comparative statement which show that:

The value of the 1921 crop in Alberta, not including	
live stock, was.	\$ 82,795,290 00
That the same crop, if grown and sold in the Province of Quebec, would have been worth.	171,506,539 00
<i>A difference of over 100 per cent.</i>	

These figures are quoted to convey clearly to the minds of this Committee the vital importance of the whole question of freight rates to the prosperity of Alberta, the important bearing freight rates must necessarily have on future development in the province, and the commercial handicap under which we operate in the Province of Alberta, owing to:

Our geographical position.

The closing of markets in United States.

Marketing costs, of which freight rates are the predominant factor.

It is a fact to-day that agricultural expansion in Alberta has ceased. Our farmers are simply marking time, because under present conditions increased acreage means increased loss. This condition is not entirely due to high freight rates, but the conditions outlined are evidence that every possible reduction must be made in marketing costs, and of these costs, freight rates are the principal item.

This is not a question of hostility to transportation interests. It is not a provincial question. It is a National question, and should be approached from that standpoint, and that standpoint only.

Western development means increased business for *all* Canada. The western grain crop is a *tremendous* factor in Canadian business. Western agricultural expansion under reasonably profitable conditions means expansion of all Canadian business. It means a renewal of immigration. It means increased population, and I submit that until agriculture in Western Canada is placed on a sounder economic basis than at present, immigration is out of the question. The people would not stay. The proposition is not attractive enough to hold them. There is only one way to hold the new settler, and that is to make it possible for the immigrant to be contented and satisfied. In short, make agriculture reasonably profitable.

As an illustration: We grow a large quantity of oats in Alberta, and the following return shows:

The price per bushel paid for Extra 1 feed oats (the average grade) off farmers' wagons at elevators at four representative points, viz.: McLeod, Olds, Westlock and Grande Prairie.

It also shows:

The amount railway companies receive per bushel for transportation to Fort William on oats from same points.

	Average grade	Fr't. rate per 100 lbs.	Amt. farmer receives per bushel	Amt. railway receives per bushel
Grande Prairie	Ex. 1 Feed	63½	13	21⅜
Westlock	Ex. 1 Feed	41½	20	14⅙
Olds	Ex. 1 Feed	40½	20	13¾
McLeod	Ex. 1 Feed	39	21	13¼

These are prices and rates which obtained in October, 1921.

Now, in fairness to the Canadian Pacific Railway I want to state that during the last two years we have been up against very low prices and they have stood in with the Government and borne 50 per cent of a reduction amounting this year to one-third on freight rates on oats out of the Grand Prairie country. Half of that reduction was borne by the provincial government and half by the railway company. If that had not been done, it would not have paid these men to haul their oats to market. The prices I have quoted to you are the prices which the farmer received. (Reads):—

“The price received by the farmer at the elevator has to cover cost of seed, cultivation, threshing, hauling to elevator and interest on investment.

From reading the evidence before the Committee, it seems to have been suggested that the bringing in of Crowsnest rates would create a disparity in favour of the West against the East.

I am advised that in fact it would bring the two territories closer together and remove the disparity that exists against the West.

[Hon. Mr. Greenfield.]

I am also advised that according to figures filed in the last rate case, that the net earnings of western territory as compared with eastern, over the past 16½ years are 129 per cent higher.

Among the reasons given in justification of advances in freight rates in recent years was the reason that it was necessary in the interests of the financial stability of the country that an important corporation, such as the Canadian Pacific Company, should be placed in a position that would ensure a dividend being paid by the company. There is some merit to the argument. But is it reasonable; is it equitable, is it good business to unduly cripple the industry that feeds the railway in order to pay that dividend. Speaking broadly, has not the experience been that high freight rates kill traffic?

I do not share the views of the railway companies that a return to the Crowsnest agreement will mean such large deficits as have been forecasted by the companies. It is doubtful if it is possible for the railways to properly compute these contemplated deficits.

If it is necessary to have deficits, it would seem to be the part of wisdom to have temporary deficits fostering traffic. If traffic is destroyed by high freight rates it cannot be revived by the mere lowering of a rate, recovery is a matter of years.

If a settler or farmer is so discouraged that he ceases to expand his operations or leaves his farm, it will take years to replace him and his quota of production.

I am advised and believe that if our production in the West were doubled, with consequent increased traffic from the East, that railroad deficits would be a thing of the past.

Reduced rates should, and in my judgment will, mean increased production. That means greater volume of traffic. It means less idle equipment, less unemployment.

Is not a railroad handling increased tonnage at a lower rate, with more equipment working a better business proposition, than a railroad with less tonnage to handle, idle equipment and consequent unemployment.

We should go back to the conditions of the Crowsnest Pass agreement at least for a period long enough to thoroughly try it out. It may result in some loss to the railways for a while, but the loss will be more equitably distributed, as between the producer who makes the railway possible, and the railway companies, and in the long run by means of stimulated production be good business for all concerned.

It is generally conceded that agriculture has carried rather more than its share of deflation so far. If loss there must be, we want that loss adjusted as equitably as possible between the producer and the transportation interests—the two principal factors in Western Canada development.

The Alberta farmer and Alberta business interests are of the opinion: the legislature is on record as being of the opinion, and the government of the province is of the opinion that the Crowsnest pass agreement should not be further suspended, that it should not be abrogated, but that it should remain as a statutory maximum basis for the freight rates structure of Western Canada.

MEMORANDUM

EDMONTON, February 17, 1922.

In connection with the statistical Table of Grain yields, prices and values for the 1921 Alberta crop, I have prepared a table, as hereunder, making a comparison between Alberta prices and values and Quebec prices and values on the same crop.

The object of this is to show the commercial handicap which is placed on the Alberta producer by distance from seaboard, and by excessive freight rates.

The Quebec figures used as average prices are those published 1st February, 1922, by the Bureau of Statistics, Provincial Secretary's Department, Quebec.

[Hon. Mr. Greenfield.]

Grain	Alberta Yield 1921	Alberta Average Price 1921	Value in Alberta		Quebec Average Price 1921	Value Alberta Crop if it had been sold in Quebec	
			\$	cts.		\$	cts.
Fall wheat.....	1,468,000 Bush.	.71 Bush.	1,042,000	00	1.59 Bush.	2,334,120	00
Spring wheat.....	51,576,000 "	.77 "	39,714,000	00	1.59 "	82,005,840	00
Oats.....	64,192,000 "	.24 "	15,406,000	00	.60 "	38,515,200	00
Oats (Grn. Fd.).....		\$10.00 Ton	11,334,760	00	\$10.00 Ton	11,334,760	00
Barley.....	11,657,000 Bush.	.32 Bush.	3,730,000	00	1.00 Bush.	11,657,000	00
Rye.....	1,999,000 "	.62 "	1,239,000	00	1.25 "	2,498,750	00
Flax.....	171,000 "	1.28 "	219,000	00	3.56 "	608,760	00
Mixed grains.....	223,000 "	.27 "	60,000	00	.85 "	189,550	00
Other grains.....	64,000 "	.25 "	16,000	00	.25 "	16,000	00
Potatoes.....	8,143,000 "	.50 "	4,072,000	00	.80 "	6,514,400	00
Turnips, Mangolds, etc.....	1,259,000 "	.30 "	378,000	00	.40 "	503,600	00
Peas.....	56,000 "	2.00 "	113,200	00	2.50 "	141,500	00
Field beans.....	6,400 "	2.00 "	13,000	00	3.18 "	20,352	00
Alfalfa.....	52,500 Ton	12.00 Ton	630,000	00	25.00 Ton	1,312,500	00
Timothy.....							
Clover, etc.....	454,833 Ton	10.00 Ton	4,548,330	00	29.00 Ton	13,190,157	00
Fodder corn and sunflowers.....	69,900 "	4.00 "	280,000	00	9.50 "	664,050	00
			82,795,290	00		171,506,539	00

By Hon. Mr. Stewart (Lanark):

Q. You gave us the relative price at which oats were sold, and the cost of transportation to Fort William. Were oats selected as typical of the whole grain movement? Would the same proportion apply to wheat?—A. I think not. I am sorry I have not a return worked out on the same lines for wheat, but I could get that for the Committee.

Q. Oats is the extreme?—A. Yes.

By Mr. Hudson:

Q. Oats form a very large proportion of your crop?—A. Yes, we grow quite a large amount of oats; I can give you the figures, I think. If I remember rightly, it is something like 65,000,000—64,192,000.

By Hon. Mr. Stewart:

Q. Bushels of oats?—A. Yes.

Q. And what of wheat?—A. According to our statistics, 51,576,000.

By Mr. Macdonald:

Q. That was last year's crop?—A. Yes, 1921.

By Hon. Mr. Stewart:

Q. We have had here very full statements from representatives of the different railways in Canada as to the effect that a revival of the Crowsnest pass agreement would have upon earnings. In your statement you express the view that what they fear is not justified—is that practically the way you put it?—A. Yes; my view is that with the lower freight rate you will so stimulate production in western Canada that the increased volume of business will very largely offset the anticipated deficit.

Q. You express an absolute opinion. Will you tell the Committee upon what you base that opinion?—A. Upon my knowledge of farming conditions in the Province of Alberta. Farming to-day in the Province of Alberta has reached the point where men are beginning to ask themselves the question: It it worth while to keep going?

Q. And these prices which you have given for oats at different centres do not represent sufficient to make it worth the farmers' while to raise them?—A. Absolutely

[Hon. Mr. Greenfield.]

not; how can a man raise oats at twenty cents a bushel and pay ten cents out of that for threshing, and haul it from ten to thirty miles to market and pay his interest charges?

Q. Would you express an opinion as to what he would require to get in order to make it a paying proposition?—A. I would say offhand, without figuring it out, 32 cents to 36 cents.

Q. If there were no transportation charges from the centres which you have named to Fort William, it would hardly pay him?—A. That would be one factor in easing off the situation, and it has to be eased off in some way. Market conditions will not always be what they are to-day, I hope.

Q. The serious trouble would appear to be the general market price of the commodity?—A. That is one factor.

Q. Is it not the important factor?—A. No, I would not say so.

Q. You gave thirteen and a fraction cents as the transportation cost from more than one centre in Alberta. What, in your opinion, would be a proper transportation cost from these centres, say, from Olds, as against thirteen cents. How much should that be reduced, in your opinion?—A. It should be reduced as much as possible, but I have not had an opportunity to figure out the details.

By the Chairman:

Q. What you meant was this: You are expressing a rough opinion. You first gave a description of the economic conditions in Alberta, and then you merely expressed the belief that a reduction in freight rates might accelerate the trade?—A. Yes.

Q. You would not say that consumption is not as important as transportation, would you?—A. (No answer).

Q. The important thing is production first?—A. Yes.

Q. And consumption would be next?—A. Yes.

Q. And transportation would be possibly the third factor?—A. I would put transportation next.

Q. Would you put transportation before consumption?

Mr. SHAW: I suggest that the witness be given an opportunity to make his statement, Mr. Chairman.

The CHAIRMAN: I am not cross-examining the witness.

WITNESS: The point I want to make clear is this, that production is the first thing. Then it is immaterial to me which factor you put next, whether transportation or consumption. The volume produced will certainly stimulate traffic.

The CHAIRMAN: Yes?

The WITNESS: The next thing is where are you going to market that? My answer to that is briefly this: You have to produce the stuff before you market it, and when you get it produced, I think you can trust Western Canada to develop the market.

By Mr. Macdonald:

Q. Where is your market for oats?—A. Principally in Canada at the present time, but if the production could be made larger it would go outside.

Q. The great bulk of the 60,000,000 bushels is marketed in Eastern Canada?—A. All over Canada; some percentage in the West.

Q. What percentage would be marketed there?—A. I would not be prepared to say as I am not sufficiently conversant with the grain business.

Q. What is the total selling price for oats, for instance in Toronto and Winnipeg?—A. I can give you the average price in Quebec on the basis of that percentage.

Q. In Quebec city or in the province?—A. In the province, according to the provincial statistics.

[Hon. Mr. Greenfield.]

By the Chairman:

Q. That is wheat grown in Quebec?—A. He is talking about oats.

By Mr. Macdonald:

Q. Oats grown in Quebec or in Alberta?—A. In Quebec, the average price is 60 cents, according to the figures of the Quebec Government.

By Mr. Macdonald:

Q. The marketing of those oats in Eastern Canada was largely due to the falling off of production in Eastern Canada. You would have to depend upon Eastern Canada to take care of a considerable proportion of your production?—A. It takes quite a proportion.

Q. The eastern crops failed last year, and in normal years you would depend on the export trade for oats?—A. To a certain extent.

Q. Looking forward to the future and to conditions under which we would hope to have a widely increased production, you would have to depend upon the foreign market?—A. I would judge so, yes.

Q. I understand, Mr. Greenfield, that you do not question Mr. Hanna's statement that it would cost the Canadian National Railways \$16,000,000 more to carry the Crowsnest freight rates again. You do not question that?—A. Well, the doubt I have in my mind is this: whether he has figured into that the effect of the stimulation of production?

Q. That is a matter of book-keeping and figuring. He gave those figures to the Committee, and now you come along and say that notwithstanding those figures you believe that increased production will cut this down?—A. I do.

Q. Do you take into consideration the fact that the whole of Canada is paying \$72,000,000 deficit outside of this \$16,000,000 in order to operate the National Railways? Suppose that he overestimated the amount and that the amount would be \$10,000,000; that would mean that it would cost the whole of Canada \$82,000,000 annually which we would throw into the water every year to operate the railways. Do you think it would be worth while to go on doing that?—A. As I stated before, my opinion is that business on the railways would be considerably better than it is to-day if you get a reduced freight rate.

Q. We all agree that we must get freight rates reduced in Canada.—A. The effect of stimulation of production on that long haul in the West where I believe, if my recollection is right, a considerable portion of the railway profits are made; now then, the effect of that will be sufficient to considerably reduce those deficits. I am speaking from an intimate knowledge of farming conditions in Alberta and from a knowledge of the farmers. I have been round amongst them now for a good few years.

Q. What I want to know is, you say that your great crop there is oats and wheat and that the price of oats to the producers would be very greatly increased if the Crowsnest agreement were reverted to. But supposing there was a general reduction of freight rates in grain and oats generally throughout the whole country, according to your argument the production of those products affected by the increased rates would be increased everywhere, not only in Alberta but elsewhere?—A. If the rate was reduced all over.

Q. Now with regard to livestock, do you send much livestock down East?—A. Not a great deal, not recently. I have not the figures on that.

Q. Yours is a livestock province, is it not?—A. It was until the hard times struck us.

Q. That is until the American market was closed and the English market?—A. The production of livestock is not nearly as large as it was a few years ago.

Q. Is the matter of livestock coming east a matter of importance to you?—A. Not of such vital importance as the grain.

Q. Do you not look forward to the production of livestock?—A. Yes.

[Hon. Mr. Greenfield.]

Q. Would it not be important to have the rates on livestock coming east reduced?—A. Yes, it would. That is a matter—the reduction of livestock rates is a matter between the companies and the Railway Commission. On the other hand, with regard to grain rates we have a specific agreement, and the question is is that agreement to stand or is to be waved aside?

Q. We are all anxious to arrive at a condition of affairs by which we can get an equitable reduction of freight rates throughout the country, but the thing is how are we going to get this done so as to benefit the whole country. Livestock is not in the Crowsnest pass agreement?—A. No.

Q. You would like a reduction of rates on livestock coming east?—A. Yes, we have no objection at all.

Q. How about lumber?—A. From the West?

Q. Yes?—A. That would be all right, but it is not nearly of as vital importance as the grain rates.

Q. The grain rates is the great thing with you?—A. Absolutely.

Q. These other things would be interesting and very nice, but—A. The grain rate is the important factor in Western Canada.

Q. In regard to things coming from the East, is there anything that you would like to have the rates reduced upon?—A. Well, there are, of course, a number of articles, certain lines of goods specified in the Crowsnest pass agreement. Some of those we will get shipped from the East. There are other lines that we do not ship at present. Take, for instance, fruit. There is practically no fruit coming into Alberta from the East, and practically no coal oil. It comes the other way.

Q. You are not interested in these?—A. No.

By Hon. Mr. Stewart:

Q. You do not get much livestock from the East?—A. Pure bred stuff for breeding purposes.

By Mr. Macdonald:

Q. We in the East have had to endure one hundred per cent increases on a great many things upon which we are absolutely dependent for our business existence, and we are very anxious to have some of those rates reduced. I suppose you would not object to an arrangement under which we would get a decrease?—A. The position I take is, as I stated before, that there is a specific agreement laid down covering the western grain rates, and any other adjustments are matters for adjustment between the companies and the Railway Commission.

Q. No matter what it cost the country?—A. Well, it won't cost the country any more than in the past to get those adjustments. Premier Oliver spent a great deal of money in trying to get adjustments made, and I don't think you will get any adjustments without spending money.

By Hon. Mr. Stewart:

Q. If the revival of the Crowsnest pass agreement means that there would be no reduction upon the transportation of basic commodities generally throughout Canada, would you still be of the view that the Crowsnest pass agreement should be revived without any regard to its general effect upon other basic commodities?—A. I would simply just go back to the position which I took before, that in the one case we have a specific agreement covering our grain rates and other commodities in the western country, and if there are adjustments to be made on other commodities to be shipped east that are not covered by the agreement, that is a separate question, it is a matter for settlement between the railway companies and the interests who want the reduction.

Q. It has been stated that if the Crowsnest pass agreement were revived it would be questionable whether there could be any general reduction throughout

[Hon. Mr. Greenfield.]

Canada upon basic commodities generally. You still believe that even if that were the case the Agreement should be revived because you have it. Is that it?—A. Speaking from just a general knowledge—I do not profess to have any intimate knowledge of freight conditions or rates—we have men who will appear before you who have that intimate knowledge, but speaking from a general knowledge I do not think that the thing is so serious as you think it will be.

Q. Do you or did you approve of the action of the Government in suspending the Crowsnest pass agreement in 1918 and again in 1919?—A. Did I approve of it?

Q. Yes?—A. I think the conditions were so extreme at that time that they possibly justified it. We had no say in the matter anyway.

Q. Do you think that conditions have substantially improved since 1919?—A. As regards western production?

Q. As regards the considerations which justified the suspension in 1918 and 1919?—A. Yes, I would say they have.

Q. In what respect?—A. Well, I think the general business condition all through is a little better. I do not know that it has improved a great deal with the farmer. If we get down to figures, I think it has improved very little; in fact, we are perhaps worse off to-day as respects the farmer than we were. But personally, I am inclined to think that we have struck the bottom and that we are on the climb up again.

Q. Yes, but the real consideration would be transportation costs, would it not? You do not think that transportation costs have improved any?—A. I think they are going to.

Q. But you do not think they have improved since 1919, do you?—A. Possibly not materially. There has been some reduction. I think there is still going to be a further reduction. My opinion is—

Q. You say in your opinion there may be a reduction, a reduction in what?—A. Wages.

Q. You would not forecast when that was coming?—A. No, I am not a prophet.

Q. Talking about the movement of livestock from the East to the West, that is largely a movement of thoroughbred stock, is it not?—A. Yes, it is not a heavy movement.

Q. And the rates on that are at present lower than they would be under the Crowsnest pass agreement?—A. That I cannot answer. As I stated before, the days have not been long enough since I took office to enable me to make a statement on railway rates. Mr. Symmington is here and he has the whole thing at his finger-ends, and he can answer any questions you desire to have answered.

Q. I understood you to make the statement that the forecasts made by officials of the railways as to what the effect upon earnings would be if the Crowsnest pass agreement were revived, you do not think that they properly stated the conditions that would result. Is there anything further upon which you base your opinion?—A. Simply as I stated before, in making those forecasts I am not at all clear in my mind whether the railway officials gave full consideration to the effect that a reduction of freight rates would have in stimulating production in Western Canada.

Q. And your opinion that the forecast was not a proper forecast simply depends upon the reduction of overhead as a result of increased traffic. Is that the idea?—A. Yes.

By Mr. Macdonald:

Q. Would you be satisfied with a reduction of rates on grain if it came in some other way than by the Crowsnest pass agreement?—A. My own opinion is, and I think it is a very general opinion in the West as I stated in my memorandum that the Crowsnest pass agreement is a statutory maximum basis for freight rates particularly on grains and in our judgment that agreement should stand.

Q. No matter what it costs the rest of the country, if they can get freight rates in some other way?—A. It is not a question of one section and another section at

[Hon. Mr. Greenfield.]

all. That we look upon in the light of a bill of rights in regard to our western grain rates. It is an important factor in Western Canada. If there are other matters which require adjustment in the matter of freight rates in eastern Canada, you still have the Railway Commission to get those reductions.

Q. No matter what it costs the rest of the country?—A. It won't cost the rest of the country any more than it has cost in the past.

Q. How do you say Canada is going to wrestle with the deficit it has this year, if you are going to add \$16,000,000 more to it? How can the rest of Canada get any reduced freight rates?—A. What I say on the matter is this, that the agreement should be thoroughly tried out; it should not be scrapped until it is thoroughly tried out to see whether those deficits increase or not.

Q. You say the items in the agreement are not of much consequence to you except the grain rates?—A. Live stock is not so important an item. We have a better freight rate in proportion to the selling rate of live stock than on grain.

By the Chairman:

Q. You stated it was particularly important for grain?—A. The main product of the West is grain. That is the vital thing.

By Mr. Macdonald:

Q. That is the vital thing in the Crowsnest pass agreement you want to preserve?—A. Yes.

Q. You did not tell me as to whether if you got a satisfactory reduction of rate on grain and the rest of the country got the same rates also by adjustment, whether that would be satisfactory to you.—A. Do you mean a less reduction than the Crowsnest pass agreement would call for?

Q. A reduction worked out on an equitable basis.—A. My position on that is this, as I stated before, that we have there a definite agreement and we think that before that agreement is scrapped it should be thoroughly tried out.

Q. No matter what it costs?—A. It will cost us—

Q. No matter what it costs the whole country?—A. What has the suspension of the agreement cost the western country?

Q. What has the Crowsnest pass rates on every other product cost every other part of Canada. In our Province it has absolutely paralyzed the sale of our products.

By Mr. Macdonald:

Q. Have you any views Mr. Greenfield, in your experience and in your position in regard to the question as to the necessity of the reduction in the wage schedule. There would be an increase of something like \$38,000,000?—A. No views on it at all. It is not my business.

Q. It is your business. You ask Parliament to deal with these matters and here is a situation that confronts Parliaments. The officials come here and say "here is a wage scale that means an annual increase of \$38,000,000 in our operation as compared with 1917 and 1918". How are we going to grapple with that increase of \$38,000,000 and have the same rates exactly?—A. I would say as far as grappling with the wage situation, that is a matter for the railways to grapple with.

Q. This was a contract made between the railways and the Canadian Government the Crowsnest agreement?—A. Yes.

Q. In any event the people and the Government cannot disregard the fact that their own railway has to meet an annual increased charge for increased wages of \$38,000,000 which they did not have in 1897. We have to look that in the face. Do you mean to say we can go on with that increased charge and have decreased rates in a special locality?—A. You would not want the people of this country to settle the labour troubles of the railway. That is up to the railway management. You have a management in charge of the Government Railway and it is the business of the Railway people, not the business of the people of Canada.

[Hon. Mr. Greenfield.]

Q. If you were here you would see we are voting \$90,000,000 to \$100,000,000 to that management and consequently we have to pay the bills and we have to see where the money comes from. What do you say to that?—A. I simply say that this problem is a matter of management between the railway companies and your employees.

Q. We vote the money. We pay the bills. We have to look at that. If you are going to have a reduction of freight rates and increased charges, where are you going to get the money?

HON. MR. CRERAR: In the whole question of rates, running back since this question has become an issue, the matter has never been considered from the point of view of the needs of the National Railways at all. It has been based on the needs of the C.P.R. Take the opinion of the Railway Commission.

By Mr. Macdonald:

Q. Mr. Hanna says he is going to have a deficit of \$16,000,000 if this agreement is going to be put into effect, and he says they will have an increase of \$38,000,000 a year more for wages than what they formerly had. What I want to know is, how are you going to work that out?—A. I would suggest you approach Mr. Hanna. I am spending the peoples' money in the province of Alberta with Government employees, and if a proposition of that kind were put up to me I would say "certainly that is my business." I have to settle that trouble between the Government employees and the Government. I have nothing to do with the Government Railway, except as a tax payer. The only trouble is that the Government of Canada has to find the money for them to spend, and when you say you are going to reduce the rates of that railway, we have to consider what you are going to pay on the other hand.

The CHAIRMAN: Mr. Greenfield has perhaps a distinct view that it does not follow necessarily that the deficit is increased.

MR. MACDONALD: He has not expressed any view as to how we are going to deal with the increased cost of \$38,000,000 annually.

By Mr. Boys:

Q. You gave the rates on oats from four points in Alberta to Fort William?—A. Yes.

Q. I think you pointed out how much the farmer got and how much the railway got. Can you tell me how much the railways would get from those four points on oats if the Crowsnest agreement was affected?—A. Practically 70 per cent.

Q. If that be the case, instead of getting, say 13c., they would get about 10c. in round figures?—A. Yes.

Q. That would make a reduction of 3c. and if you are getting 21 you add three to that, it would make 24 and to make it worth while he would have to get from 32 to 36c., so he would be many cents a bushel off a profit.—A. That is one factor of the market.

Q. The point I am coming to is that while I agree with you he would be three cents better off if he has to get from 32 to 36c. to make it pay, his situation would still be hopeless.—A. That is a matter outside the freight rate question altogether in my opinion. The reduction in freight rates is a reduction on one main feature in marketing.

Q. I don't know whether you get my point. I am admitting at once to the extent of 3c. he would be benefited, but what we want is a condition for the farmer to raise the grain at a profit and it seems to me if the condition is out west as you described his position is still hopeless because it would not only require 3c. but it would require 10 or 11c. at least.—A. He would be helped out to that extent in one line of his production.

Q. Would it not still be hopeless?—A. It would not be hopeless as the country develops and the farmer gets more by keeping his grain for feeding his live stock than by selling it.

Q. In other words he would get the benefit of that, it would seem to me, while the freight rate is a factor it certainly cannot be anything like the main factor. You insist on that?—A. Yes.

Q. I wish you would show me how if he has to get from 32 to 36c. to make a profit and he is getting 31c. now, and he saves one half the present rate of 13c. he is still going to be 6 or 7 cents off a profit—nobody can continue business on any such basis. Therefore you must have some other solution.—A. That is not his only line of production. We don't hope to make a profit on every line of endeavour.

Q. That is the point you emphasize before the Committee?—A. I emphasize the large proportion which the freight rates bore to the ultimate price received for the oats.

Q. In answer to Mr. Stewart you have admitted that that perhaps is the strongest illustration of the hopeless condition you can give?—A. Yes.

Q. Don't you think it would be better if you gave the Committee other illustrations so that we could, as it were, attempt to equalize and not attempt to deal with it from the strongest point?—A. I think I can give you the same figures on wheat.

The CHAIRMAN: The question of how important the illustration is in comparison with other factors is a purely economic question and everybody can have his own view on it.

Mr. HUDSON: I have been trying to ask a question for a long time.

Mr. SHAW: I have just one question.

The CHAIRMAN: You keep it for a moment.

By Mr. Hudson:

Q. Mr. Stewart asked you whether or not your Government had objected to the suspension of the Crowsnest pass agreement in 1919.

Hon. Mr. STEWART: No. I asked him his personal opinion. His Government was not in existence then.

By Mr. Hudson:

Q. Did your Government know anything about it or did you?—A. No, I don't think so.

Q. You were not there?—A. I don't think we had any opportunity to say anything about it.

Hon. Mr. STEWART (Lanark): I never asked him that.

Mr. HUDSON: It was directed to that end. Will you look at the other side of the picture. What was the price of grain in 1919?—A. I don't know that I can say that from memory.

Q. What was the price of wheat?—A. I am not a grain farmer, and I sell very little grain.

The CHAIRMAN: \$2.15.

Hon. Mr. MITCHELL: The witness says he does not know.

By Mr. Hudson:

Q. You do know it was very much greater than the present prices, don't you?—A. I do.

Q. So that the conditions at the time of that suspension were altogether different from the present?—A. Altogether different.

Q. So far as you are concerned?—A. Yes.

Q. The conditions were altogether different then than they are now?—A. Yes.

By Mr. Shaw:

Q. I understand that the Alberta Legislature at its last session, which concluded a month or so ago, passed a resolution expressing their unanimous opinion that the Crowsnest pass agreement should not be further suspended; is that correct?—A. That is correct.

[Hon. Mr. Greenfield.]

By Hon. Mr. Stewart:

Q. Mr. Beatty expressed the view that as a matter of law the Crowsnest Pass Agreement applied only to the C.P.R. lines in operation in 1897, notwithstanding that the rates had been applied on extensions built after that date. If that statement of the law is correct, and the revival of the Crowsnest Pass Agreement were to bring it into operation only upon the lines of 1897 and not upon any lines or extensions built since that date, would you still favour the revival of the Crowsnest Pass Agreement?—A. You are asking me a question on a matter of law, and I am not a lawyer.

Q. No; I am asking you if the revival of the Crowsnest Pass Agreement applies only to the Canadian Pacific Railway lines in operation in 1897 and not upon the extensions or lines built since that date, do you think it would be a good thing in the interests of the West to revive the Crowsnest Pass Agreement?

MR. SHAW: I think Mr. Stewart should also tell the witness that by virtue of the provisions of the Railway Act dealing with discrimination, the subject matter of his question is really not a practical factor at all.

HON. MR. STEWART: It is a matter for the Board. The Board of Railway Commissioners would exercise no judgment with reference to the Crowsnest Pass Agreement rates if they were brought into effect as a result of the agreement being revived.

By Mr. Macdonald:

Q. Have you considered the point raised by Mr. Stewart?—A. I am not prepared to answer that question without giving the matter further study.

The CHAIRMAN: Are there any members of the Committee sitting in the rear seats who would like to question the witness?

By the Chairman:

Q. Are you interested in the question of sending your wheat to the seaboard by the Pacific coast route?—A. I believe the day will come when the Pacific coast route will have to be used to a considerable extent for the shipment of Northern Alberta grain particularly. At the present time the matter is in the experimental stage. It is true there was a large increase in the shipments over that route last year, but the route has not, in my judgment, been in operation long enough to thoroughly demonstrate its feasibility.

By Mr. Macdonald:

Q. You spoke about the disadvantages to the people of Alberta, and what the value of their crop would be if it were in the province of Quebec?—A. Yes.

Q. Do you not think that the natural market for Northern Alberta would be over the mountains to the sea?—A. (No answer).

Q. You are ever so many thousand miles away from the Atlantic ocean?—A. What we have to meet at the present time are present conditions, and present conditions will not admit of any volume of grain going over the Pacific coast route.

Q. Why not?—A. Because we have not the terminal facilities to handle it.

Q. At Vancouver?—A. At Vancouver. The thing is in the experimental stage and it is not a factor.

Q. How many elevators are there at Vancouver?—A. One, I believe, and not of very large capacity.

Q. Still, if you had the facilities there the Pacific coast would be your natural market for Northern Alberta?—A. Yes.

Q. It would remove the disadvantages under which you are labouring by reason of the fact that you live so many thousands of miles away from the Atlantic ocean?—A. I wonder what the railways' attitude would be in that connection?

Q. You could go to the Railway Commission and tell them?—A. Certainly.

[Hon. Mr. Greenfield.]

By Mr. Forrester:

Q. What kind of grade is there to the Pacific coast?—A. On the National?

Q. Yes?—A. I understand it is a good grade.

Mr. OLIVER (Premier of British Columbia): Better than you have from Edmonton to Fort William.

By Mr. Forrester:

Q. What is the grade on the C. N. R.?—A. West of Edmonton?

Q. Yes.—A. I am afraid you will have to ask the railway men.

By Hon. Mr. Manion:

Q. When the Crowsnest pass agreement was made in 1897 or 1898 there was only one line in the West, the C.P.R. Since 1897 and 1898 the Canadian National railway has been built. While there is no doubt that an agreement is an agreement, and the C.P.R. made the agreement, and one might say "Let the C. P. R. live up to their agreement and let the C. N. take care of themselves," the C. N., as a matter of fact, has to come to the rates of the C. P. R. or they will not get any business. Now in view of the fact that the Canadian National Railway has been built since the C. P. R., and both the C. N. and the Grand Trunk have been financed by the Canadian Government, do you think that should have any effect upon the agreement made by the Dominion Government in favour of the Western Provinces with the C. P. R. in 1897? The circumstances have altered a great deal. If there were no C. N. I do not suppose there would be a Committee meeting here to-day, but the fact is that the C. N. will make greater deficits by reason of the Crowsnest pass agreement which the Government entered into with the C. P. R. Do you think these changed circumstances should have any effect whatever upon the final decision of this question?—A. You come back to where we were before. I believe if you revert to the Crowsnest pass agreement your deficits will not be as large as it is anticipated they will be.

Q. You will not dispute that there will be a greater deficit on the C. N. next year if the Crowsnest pass agreement is continued? A. There may be. But which is the best thing to do, to stand a deficit for a few years and fix your freight rates at a point where they will carry the industry, or kill that industry? That is the point you have to decide: Will it pay this country to carry deficits on the National and other railways for a few years until this country gets established, or will you kill the business right now?

Q. Then your implied answer to my question is that you do not consider these changed circumstances should have any effect at all upon the Crowsnest pass agreement?—A. I think the Crowsnest pass agreement should be tried out again in order to ascertain its effect, and if that effect is as bad as the railway companies believe it will be, then its readjustment can be considered.

By Mr. Macdonald:

Q. You say these changed conditions do not enter into your decision of this question?—A. I think the Crowsnest pass agreement should be revived.

Q. Irrespective of anything that may have occurred since the Crowsnest pass agreement was put into effect?—A. The point I make is that the Crowsnest pass agreement should not be scrapped until it has been tested out.

Q. Dr. Manion has put a fair question to you indicating the changed conditions since the establishment of the Crowsnest pass agreement. Should we who are in Parliament, and who are responsible for the decision of this question, disregard these changed conditions, or should we take them into consideration?—A. I do not see why you cannot take them into consideration, but if the basis of the Crowsnest pass agreement is fair on the one line it surely will be fair on the other.

Q. Then supposing the prices of grain and oats do not go up, do you think the railways are going to be able to overcome the deficits which they as practical men have informed the Committee are bound to occur?—A. If the price of oats does not go up?

[Hon. Mr. Greenfield.]

Q. Yes.—A. It is hard to say what the price of oats will do.

Q. But you say the railways will not incur deficits but will earn more money because they will get more business?—A. Yes.

Q. The railways will not get more business unless the Western settler gets more money, and the prices of grain and oats must increase in order to enable him to get more money?—A. Yes.

Q. And if those prices do not increase the increased business to the railways which you anticipate will not be forthcoming?—A. As you increase development you increase the production of the West, and then the problem of marketing the products must be considered. I think Canadian business men can be trusted to develop a market for all that can be produced in Western Canada.

Q. But supposing the prices of grain and oats do not go up and grain and oats are carried at reduced rates?—A. If the price of oats remains where it has been, the Alberta farmer will be compelled to grow oats sufficient only for his actual use.

By Hon. Mr. Crerar:

Q. Then does it not become largely a question of reducing the cost of production in regard to these commodities?—A. Yes; and a reduction in freight rates is the first step in reducing the cost of production.

By Mr. Hudson:

Q. Supposing the price of oats is so low that you do not produce, it does not make much difference what the freight rate is?—A. No.

The CHAIRMAN: I think these questions are dependent upon conditions which vary.

Hon. Mr. STEWART: We are trying to get Mr. Greenfield's opinion as representing the western viewpoint. If the Crowsnest pass agreement were to be revived, what would your view be as to the reduction of freight rates generally upon basic commodities? Would you be of the opinion that they should be generally reduced? I am speaking now of the commodities that would not be included in the Crowsnest pass agreement.

The CHAIRMAN: Such as lumber.

The WITNESS: I have not enough knowledge of the other lines of business to say.

By Hon. Mr. Stewart:

Q. Would you express any viewpoint upon lumber moving eastward from Western Canada?—A. Without a closer knowledge than I have of lumber I would not care to express an opinion. After all, so far as the prairie provinces are concerned, lumber is an important matter; but when you consider the amount of lumber which a farmer uses in a year, and compare it with the amount of produce which he ships off his farm in the year, it is infinitesimal.

Q. If you were interested in the lumber industry, what would your view be?—A. That is the lumber industry's business, not mine.

By Mr. McConica:

Q. If the grain industry was not productive, there would be no demand?—A. There would be no demand.

By the Chairman:

Q. That is true of everything in the world. The price of wheat might depend upon conditions in Russia. It is only a circle of cause and effect. Mr. Greenfield, I am very much obliged to you for your statement. I do not know whether there is anything more to ask. You admit that there are some difficulties connected with this problem?—A. I quite agree with you; there are difficulties about every problem these days.

By Mr. Macdonald:

Q. You think that we might be able to find the money notwithstanding the deficit if we were to reduce the rates?—A. I will pay my share of it.

Q. You do not mind about the rest of us?—A. I do not think you are any worse off than we are.

Hon. Mr. STEWART: Except that you have the benefit.

The witness retired.

Hon. Mr. STEWART: Is Mr. Symmington here?

The CHAIRMAN: Mr. Symmington wishes to be heard on Monday. He desires to be in a position to shorten his statement, and we thought it would be worth while to give him that opportunity. Mr. Oliver, Premier of British Columbia, is present, and as the baseball men say he could perhaps have a "warming up," and then complete his statement on Monday.

Hon. JOHN OLIVER, Premier of British Columbia, called.

The CHAIRMAN: Just give us a brief preliminary statement in the meantime.

Mr. OLIVER: Mr. Chairman and gentlemen of the Committee, I think the position of British Columbia in regard to this matter is entirely different from that of probably any other province in the Dominion. I may say that when I left for Ottawa I was somewhat at a loss to understand what the scope of this enquiry was. Judging from the newspaper reports, I concluded that it was an enquiry which would eventually bring into discussion the whole freight rate situation throughout Canada, and I am still of that opinion. However, there seems to be a desire to limit as far as possible the enquiry to consideration of the Crowsnest pass agreement and I shall, as far as possible, take up that matter first. As the Chairman has intimated, this is a kind of preliminary statement by way of supplying up. I do not know just where we may get to before we get through.

In considering the position of the Crowsnest pass agreement we have to go back in our minds a little and consider what the conditions were at that time. The prairie provinces have, of course, made considerable progress in settlement, but there had not been the immense production of grain and other agricultural products on the prairies that there has been during the last few years. Neither had the province of British Columbia developed industrially as it has done during the last few years. There seems to be a disposition to treat this Crowsnest pass agreement as something of the nature of the laws of the Medes and Persians, something which cannot be altered. To my mind it is simply an agreement between the Government of the Dominion of Canada and the C.P.R. There was no obligation on the C.P.R. to enter into this agreement, but there was a consideration, and that consideration was not expressed altogether in the amount of subsidy paid by the Dominion Government. I want to point out to this Committee that that consideration was paid by the people of the whole of Canada, and not by the prairie provinces or by British Columbia standing by itself. So I think we may take it for granted that the whole of Canada is interested in this agreement, and if it can be shown that owing to the changed conditions this agreement is not working out to-day in the same manner that it worked out when it was first entered into; if it can be shown that a better agreement could be substituted for it, I think it is quite competent for the parties to the agreement, that is the Government of Canada and the C.P.R., by mutual consent to vary this agreement. I will go further than that and say it is competent for the Parliament of Canada without any consideration of the Railway Company at all to vary this agreement if in its judgment the interests of the country demand that it be so varied.

[Hon. Mr. Oliver.]

To come to the agreement itself—and I want to be as brief as I can be—the principal consideration centres around the special concessions in the way of freight rates in consideration of the subsidy paid by the Dominion, and I might say in further consideration of the fact that by an arrangement entered into by the Canadian Pacific Railway and the British Columbia and Southern Railway Company, the Canadian Pacific Railway got a land subsidy from the province of British Columbia which put into insignificance the cash subsidy received from the Dominion. I think that when the Committee consider those two factors they will consider that the people of Canada, especially the people of British Columbia, paid the Canadian Pacific Railway a tremendously big price for the concessions which they got.

Now we will take the first class reduction upon green and fresh fruits. At that time all this movement was westward. I do not suppose that the movement eastward from British Columbia amounted to one per cent of the amount of fresh fruit consumed in the prairie provinces. The other day I heard Mr. Lanigan make the statement, if I understood him correctly, that the Canadian Pacific Railway received more fresh fruit for shipment in British Columbia than they delivered in the whole three prairie provinces. As a matter of fact, there has been a complete reversal of the movement of fresh fruits. It used to be westward; it is now eastward, and as these reduced rates do not apply to the benefit of the British Columbia shipper I think we should receive some consideration in respect of the subsidy paid under the Crowsnest pass agreement. You take the question of coal oil. At that time it was always shipped westward. To-day I suppose that one half the coal oil, gasoline, distillate used in the three prairie provinces is refined and shipped from the port of Vancouver, I think perhaps 50 per cent of it. Now in regard to binder twine, which was a great factor in the grain growing districts of the prairie provinces in the early days, that movement was all westward. That has changed very materially. In British Columbia we used to get most all of the binder twine in Toronto. Now we get it from Portland, Oregon, to a large extent. I would not say exclusively. We had been drawing from Portland, Oregon, for our binder twine but now we have a factory in British Columbia turning out the finest binder twine up to 6 skeins, so we have a change of movement there now. In regard to agricultural implements, British Columbia is largely the distributing point, and I would say we would receive some benefit by the retention of the Crowsnest agreement on that class. Take bar iron, Canada plate, pipe fittings, nails, spikes, horse shoes; in the early days that movement was nearly all westward. I was amused to hear Mr. Lanigan stating they found it necessary to reduce their rates on bar iron to 60 cents per hundred pounds. This was very suggestive. If bar iron can be carried from Toronto to Vancouver at 60 cents per hundred pounds so as to protect the iron manufacturer of eastern Canada I don't see why the prairie provinces should not have a special rate on grain when their lives depend on it. Isn't it a case where you are carrying one commodity at a loss for a special industry at the expense of other industries? In other words you are charging excess prices for service rendered some other commodity or some other industry so as to benefit some other industry. I don't think it is fair and I don't think it is good business. I would like to recommend this principle for the consideration of the Committee, that where it is necessary as a matter of public policy to carry goods at less than service given, that excess should be carried by the nation at large and not by having that excess put upon some other industry or some other locality. Before we leave that, I want to point out to you a matter that has been brought up for your consideration time and again. Every time we have made an application to the Board of Railway Commissioners for a reduction of our freight rate or for the removal of discriminations in our freight rate, we have been met by the statement that in eastern Canada they are entitled to a less rate because they have water competition and that extends to the head of the Great Lakes. Hence

[Hon. Mr. Oliver.]

we are told at Vancouver that it cannot be compared as a terminal point on a parity with Fort William. Let me point out that the waterways of which eastern Canada has the benefit to-day has cost the people of Canada, including British Columbia and the prairie provinces, many millions of dollars, has given eastern Canada the benefit of the waterways and I would ask this Committee on the basis of equity and right whether Vancouver as a distributing point should not at least be on a parity with Fort William as a distributing point or as a terminal point and I want to tell this Committee that for many years British Columbia has been paying at the rate of one and a half to one and in some instances at the rate of two to one as against the rates charged westward from Fort William eastward from Vancouver and a good deal has been said about discrimination that might be formed if there was a restoration of the Crowsnest agreement and I am glad to have heard that discrimination has been given such prominence before this Committee, because having been given so much prominence, I felt sure we would have a remedy of this condition of two to one under which British Columbia has laboured for the last thirty years. I would just ask this Committee also to consider—we have spent millions of dollars in developing the ports on the Atlantic Ocean. We have ports on the Pacific Ocean that need comparatively little or no development, yet in harbour port you are preparing to spend considerable money out there, for what purpose, if not to foster ocean trade with the Pacific Coast and here when there is no particular opportunity to the trade to carry merchandise backward and forward over that ocean if you do put a rate in force from eastern Canada so as to prevent shipments by ocean steamers being landed in Vancouver, what becomes of your theory of building up a great big trade to the Pacific coast. You cannot have outward movement without you have inward movement, so I make a point in regard to iron bar and iron pipes, nails, etc.; class 6, all kinds of wire; class 7, window glass, I say that Vancouver at least has a right to be put on a parity with Fort William as a distributing point and as at the head of water navigation. I think we are more generous in the west than you are in the east, if we say we are willing you shall have the benefit of that water competition in eastern Canada but at all events when you come to the end of your water competition, we say we should be put on an equal footing. In class 8, paper for building and roofing purposes,—class 10, box and packing paper. Class 10 deals with all classes of oil. We are manufacturing the whole of those commodities in British Columbia. In classes 8 and 9, paper for building and roofing purposes and roofing felt and so on, we don't have to take a second place to any place in Canada or any place in the world and we manufacture all those articles. We have some of the largest pulp mills in Canada. I am not sure if they have not got some of the largest in the world, where they are manufacturing the pulp or hard timber. They are sizing the paper with their own talc mined in their own mines and we are in a position to compete with eastern Canada or any other country in supplying the prairie provinces with those necessary building commodities and yet if those Crowsnest pass rates are to be restored we are disorganized because of the rate on the eastward as against the westward movement. Is that fair or just? Take again the live stock. I don't need to say much about that. In the early days you were transporting cattle into the prairie provinces. That has entirely changed. I suppose there are ten carloads of live stock shipped out of the prairie provinces for one that is shipped in at the present time. The conditions have been reversed in that respect. Woodenware, I don't know much about. I know in household furniture, we are making household furniture and we are making good furniture and we are prepared to enter into competition with the east and we say we have no right to be discriminated against. I don't wish to be misunderstood in this matter. I believe the prairie provinces are in the condition especially in regard to the grain movement that unless they get very low freight rates the production of grain will be very materially shortened and that there will be an immense tonnage which the railways might have to carry that will

[Hon. Mr. Oliver.]

not be available for carriage on that account, that it does not pay to produce it. What I say to you is this and I again repeat it, that if you have to make a special commodity rate to move any commodity at less than the cost of the service given, that that excess cost should not be put on some other commodity, but as it is a matter of national policy the burden should be carried by the nation wholly and not by any industry or any locality. Just to come to the question of grain. My friend Premier Greenfield does not seem to attach a great deal of importance to the question of grain. I want to tell him that there was more grain went through to the market last year than there probably was to move when the Crowsnest Pass agreement was inactive.

Hon. Mr. GREENFIELD: I don't think you have me right there.

Hon. Mr. OLIVER: I am willing to pass on at that. All things have a beginning. Let me point out to you this. What is the condition in regard to the production of grain and the movement of grain? We know that farmers as a class are not usually capitalists and when they have the result of their season's work coming out of the thresher they are desirous of turning it into money and they have that short period of time between threshing and the close of navigation to get that down to the elevators and get it on board the ship and get it out from Fort William to be passed along to the consumer that year, and the alternative to that is that it must be piled up in the elevators and stored in various places until navigation opens in the spring. It must bear the cost of the whole long rail haul down to the Atlantic ocean. Now when you consider that from Calgary or Edmonton it is something like from 2,700 miles further from Edmonton to the port of Halifax to bring that grain than from Edmonton to Vancouver, you must consider that a very essential fact in favour of moving that grain westward. Mr. Greenfield stated that the question of shipping grain by the Pacific coast route is still in the experimental stage. That is quite true. He also stated he does not think there are sufficient terminal facilities at Vancouver. If we get a rate westward equal to the rate we get eastward we will find terminal facilities quicker than Mr. Greenfield can ship the grain. The statement has been made here that about 7,000,000 bushels of wheat had moved westward to the port of Vancouver, and that of that amount approximately one-half had gone to the Orient and the other half to the United Kingdom, presumably via the Panama canal. I think that is a very good beginning. I am advised that the Canadian Government are at this time making good some of the deficiencies in connection with the elevator at Vancouver. They are putting in cleaning machinery and also apparatus for the drying of the grain. Evidently they have confidence that the business is going to develop. If you restore the grain rates under the Crowsnest Pass agreement and leave the present rates on the westbound movement of grain to the Pacific coast there will be no grain moved westward. I take it that the Canadian Pacific Railway Company received a substantial cash subsidy. They also received a great land grant from the province of British Columbia, which I propose to deal with a little later on. In consideration of that subsidy and that land grant they gave certain reduced rates. To my mind, the time has come for a revision of that agreement. I am not prepared to say that the agreement should be absolutely wiped out. I say the Canadian Pacific Railway has received a consideration for the concession in rates granted by them, and that it is the duty of this Committee to take into consideration the fact that the Canadian Pacific Railway received that consideration and that value from the people of Canada and from the province of British Columbia. I think the people of Canada are still entitled to a return for the consideration which the Canadian Pacific Railway Company has received. Mr. Chairman, it is now one o'clock. Shall I proceed?

The CHAIRMAN: If you have a point you desire to clear up now, you may do so; otherwise I think you had better reserve further statements until our next meeting.

[Hon. Mr. Oliver.]

Mr. OLIVER: I think I had better stop now, but before the Committee adjourns I would like to mention that I have here several printed copies of a memorandum which was placed before the Hon. Mr. King, Prime Minister of Canada, in regard to the discrimination in rates as against the province of British Columbia. This memorandum was prepared prior to the appointment of this Committee, but I think the subject matter of it forms part of the case I wish to lay before the Committee. I would like to have these copies distributed among the members of the Committee in order that they may have an opportunity of reading the memorandum before they meet again.

Hon. Mr. MITCHELL: Mr. Chairman, do you think this memorandum should be placed on the records of the Committee before the members have had an opportunity of examining it?

The CHAIRMAN: Mr. Oliver merely desires to distribute copies among the members in order that they may have an opportunity of reading the memorandum before our next meeting.

Hon. Mr. MITCHELL: It will not form part of the record yet?

The CHAIRMAN: No. The Clerk of the Committee, Mr. Howe, will distribute these copies among the members of the Committee who desire to have one.

On Monday next the Committee should, I think, consider the advisability of sitting in the afternoon and evening as well as in the morning. The Hon. Mr. Oliver and also Mr. Symmington will appear before us.

The Committee adjourned at 1.00 o'clock p.m. until 11.15 o'clock a.m. on Monday, May 29, 1922.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 6—MONDAY, MAY 29, 1922

NAMES OF WITNESSES

Hon. Mr. Oliver, Premier of British Columbia



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

STATEMENT No. 24.

CANADIAN NATIONAL RAILWAYS

CANADIAN NORTHERN RAILWAY SYSTEM

CANADIAN GOVERNMENT RAILWAYS

GRAND TRUNK PACIFIC RAILWAY

Total Actual Payroll, year ending December 31st, 1921	\$ 88,755,060
Under pre-McAdoo scale of compensation, the Total Payroll would have been	\$ 49,773,800
Increased rates of pay under McAdoo Award and Supplements would add	\$ 24,951,600
Increases in rates under Chicago Award of 1920 would add a further sum of	18,859,300
	43,810,900
Bringing the Total under the Two Awards up to	\$ 93,584,700
Reductions effective July 15, 1921, to December 31, 1921, amounted to	4,829,640
Actual Payroll, 1921	\$ 88,755,060

COMMITTEE ROOM No. 425,

HOUSE OF COMMONS,

MONDAY, May 29th, 1922.

The Select Standing Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest Pass agreement on July 6th next, met at 11:15 o'clock, a.m., the Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: Order gentlemen. Mr. Oliver will conclude his statement commenced on Friday.

Hon. Mr. JOHN OLIVER: Mr. Chairman and gentlemen of the Committee, my attention has been drawn to one or two clerical errors in the report of what I said on Friday. One honourable gentleman has intimated to me that he wants to know the source of "supply" reported on page 136. What I said was, "this is a kind of preliminary statement by way of 'suppling up,' not 'supplying up.'" It would seem that our friends in the east have their minds full of the supply of a certain commodity which is not subject to freight rate considerations. Then I notice on page 138, speaking of the production of pulp, I am reported as having said:

"I am not sure if they have not got some of the largest in the world, where they are manufacturing the pulp or hard timber."

What I did say was "pulp and paper." On page 139, speaking of the movement of grain, I said

"I want to tell him that there was more grain went west through to the market last year than there probably was to move when the Crowsnest Pass agreement was inactive."

The word "west" has been omitted.

Now Mr. Chairman, when addressing the Committee on Friday I had dealt briefly with the Crowsnest Pass agreement in an endeavour to point out that that agreement did not fit present day conditions, and that a revision was absolutely necessary if it was to be retained. I took the ground also that the consideration given to the railway company should be taken into account when any new rates were being fixed. I stated that the restoration of that agreement would, in my opinion, accentuate the discrimination at present existing in respect to British Columbia, and for the enlightenment of the Committee I have obtained considerable data which has been put before the Board of Railway Commissioners. It will be necessary for me to establish my argument to show this Committee not only something in regard to the volume of business, but also having reference to the rates now in existence, as to how they discriminate against British Columbia, and also how that discrimination would be aggravated were the Crowsnest Pass agreement restored in its present form. I have here a table showing the volume of wheat produced in the three prairie provinces. I am not going to read it all; I just wish to point out that in the province of Alberta in 1908 some 6,842,000 bushels were produced. In 1921 that amount had increased to 60,716,000 bushels. In Saskatchewan in 1908 the amount produced was 34,742,000 bushels, and in 1921 that had increased to 173,580,000 bushels. In Manitoba in 1908, 50,269,000 bushels were produced. In 1918, which is the last year we have on this basis, the amount was 48,191,100 bushels. These tables show that there has been an immense increase in the province of Manitoba.

Statement No: 1 filed.

[Hon. Mr. Oliver.]

COMPARATIVE STATEMENT

STATEMENT furnished by the Department of Trade and Commerce, Bureau of Statistics, showing the Area, Yield and Value of Wheat produced in Alberta, Saskatchewan and Manitoba, for the years 1908 to 1921, inclusive.

ALBERTA			
Year	Area	Yield	Value
	Acres	Bushels	\$
1908.....	271,000	6,842,000	4,617,000
1909.....	385,000	9,579,000	7,037,000
1910.....	879,301	9,060,210	6,254,000
1911.....	1,639,974	36,602,000	22,544,000
1912.....	1,590,000	34,303,000	18,459,000
1913.....	1,512,000	34,372,000	21,009,000
1914.....	1,371,000	28,859,000	26,403,000
1915.....	2,138,031	66,538,000	58,325,000
1916.....	2,604,975	65,088,000	86,600,000
1917.....	2,897,300	52,922,100	91,941,300
1918.....	3,892,489	23,752,000	45,604,000
1919.....	4,282,503	34,575,000	53,349,000
1920.....	4,047,483	83,461,000	126,861,000
1921.....	4,477,483	60,716,000	(Preliminary Estimate)

SASKATCHEWAN			
Year	Area	Yield	Value
1908.....	2,396,000	34,742,000	25,883,000
1909.....	3,685,000	85,197,000	68,669,000
1910.....	4,228,222	66,978,996	46,217,000
1911.....	5,256,674	109,075,000	63,264,000
1912.....	5,582,000	106,960,000	59,910,000
1913.....	5,720,000	121,559,000	77,805,000
1914.....	5,348,300	73,494,000	108,738,000
1915.....	8,229,250	224,312,000	203,888,000
1916.....	9,032,109	147,559,000	188,917,600
1917.....	8,273,250	117,921,300	229,966,900
1918.....	*9,249,260	92,493,000	184,061,000
1919.....	*10,587,363	89,994,000	165,589,000
1920.....	*10,061,069	113,135,300	175,360,000
1921.....	10,363,000	173,580,000	(Preliminary Estimate)

MANITOBA			
Year	Area	Yield	Value
1908.....	2,957,000	50,269,000	41,924,000
1909.....	2,808,000	52,706,000	45,854,000
1910.....	2,760,371	34,125,949	27,304,000
1911.....	3,094,833	62,689,000	42,002,000
1912.....	2,839,000	63,017,000	42,221,000
1913.....	2,804,000	53,331,000	37,858,000
1914.....	2,616,000	38,605,000	38,963,000
1915.....	2,800,424	69,337,000	62,662,900
1916.....	2,725,725	29,667,000	36,500,000
1917.....	2,448,860	41,039,700	84,144,400
1918.....	2,983,702	48,191,100	99,274,000
1919.....	*2,880,301	40,975,300	78,706,000
1920.....	*2,705,622	37,542,000	68,769,000
1921.....	*2,658,000	37,212,000	(Preliminary Estimate)

*These figures are for Spring Wheat, and are the only figures given for these years in the Report. All the other figures in the Statement are "All Wheat," i.e. spring and fall wheat combined.

[Hon. Mr. Oliver.]

Then Mr. Chairman, I want to point out the discrimination in the movement of grain eastward and westward. These tables I have taken for similar distances. From Morley, Alberta, to Vancouver, 601 miles—and these, gentlemen, are the present rates—the rate is 30 cents per hundred. From Virden, Man., to Fort William, the same distance, the rate is 23½ cents, a discrimination against British Columbia of approximately 25 per cent. I can go on and give you the rates from different localities.

By Mr. Shaw:

Q. What is it from Calgary?

Hon. Mr. OLIVER: We have not the rates from Calgary because we have not got the same distances. Just to take another instance, take Abbey, Sask., to Vancouver, 900 miles, the rate is 35 cents per hundred, and from Herbert, Sask., to Fort William, the same distance, the rate is 31 cents, a difference of four cents per 100. (Statements No. 1 and 2 filed). From places the distance from Vancouver of Fort William, we have percentages of difference running from nine per cent to 27.06 per cent.

Statement No. 2 filed.

"STATEMENT No. 2.

COMPARATIVE STATEMENT

EXPORT Grain and Flour rates, carload from Prairie Points to Vancouver, compared with domestic rates from Prairie Points of similar distances to Fort William.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Morley, Alta.....	Vancouver.....	601		30
Virden, Man.....	Fort William.....	600		23½
Difference in favour of Fort William.....			27.6%	6½
Gleichen, Alta.....	Vancouver.....	693		31
Grenfell, Sask.....	Fort William.....	700		27
Difference in favour of Fort William.....			14.8%	4
Suffield, Alta.....	Vancouver.....	792		33½
Belle Plains, Sask.....	Fort William.....	801		29
Difference in favour of Fort William.....			15.5%	4½
Abbey, Sask.....	Vancouver.....	900		35
Herbert, Sask.....	Fort William.....	900		31
Difference in favour of Fort William.....			12.9%	4
Ernfold, Sask.....	Vancouver.....	1,001		36
Portreeve, Sask.....	Fort William.....	999		35
Difference in favour of Fort William.....			9%	2½
Grand Coulee, Sask.....	Vancouver.....	1,099		38½
Halsbury, Alta.....	Fort William.....	1,100		35
Difference in favour of Fort William.....			10%	3½
Broadview, Sask.....	Vancouver.....	1,202		41½
Barstow, Alta.....	Fort William.....	1,197		37
Difference in favour of Fort William.....			12.1%	4½

Minimum 60,000 lbs. for wheat and 50,000 lbs. for flour.

TARIFFS: C.P.R. W. 4649 C.R.C. W. 2558
 " 4733 " 2585"

[Hon. Mr. Oliver.]

Then on grain and flour, domestic rates in carload lots, we have a similar table. From Notch Hill to Vancouver, 300 miles, the rate per hundred is 33½ cents. From Keewatin to Fort William, 297 miles, the rates is 16 cents per hundred, a difference of 109 per cent discrimination against the province of British Columbia in moving grain and flour in carload lots. Take another instance. Take Abbey, Sask., to Vancouver, 900 miles, the rate is 54½ cents. From Herbert to Fort William, the same distance, the rate is 31 cents, a difference of 75.8 per cent discrimination against British Columbia. I want to point out to the Committee that this is the discrimination now existing and that the bringing back of the Crowsnest Pass Agreement will add to this discrimination approximately 25 per cent. (Statement No. 4 filed).

"STATEMENT No. 4.

COMPARATIVE STATEMENT

GRAIN and Flour, domestic rates, carloads from Various Prairie Points of equal distances to Vancouver and Fort William.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Notch Hill.....	Vancouver.....	300		33½
Keewatin.....	Fort William.....	297		16
Difference in favour of Fort William.....			109.3%	17½
Albert Canyon.....	Vancouver.....	401		39½
Hazelbridge.....	Fort William.....	400		16
Difference in favour of Fort William.....			146.8%	23½
Ottertail.....	Vancouver.....	497		43
MacGregor.....	Fort William.....	498		20½
Difference in favour of Fort William.....			109.7%	22½
Moreley.....	Vancouver.....	601		46
Virden.....	Fort William.....	600		23½
Difference in favour of Fort William.....			95.7%	22½
Gleichen.....	Vancouver.....	693		46
Grenfell.....	Fort William.....	700		27
Difference in favour of Fort William.....			70.3%	19
Suffield.....	Vancouver.....	792		46
Belle Plains.....	Fort William.....	801		29
Difference in favour of Fort William.....			58.6%	17
Abbey.....	Vancouver.....	900		54½
Herbert.....	Fort William.....	900		31
Difference in favour of Fort William.....			75.8%	23½
Ernfold.....	Vancouver.....	1,001		57½
Portreeve.....	Fort William.....	999		33½
Difference in favour of Fort William.....			71.6%	24
Grand Coulee.....	Vancouver.....	1,099		57½
Halsbury.....	Fort William.....	1,100		37
Difference in favour of Fort William.....			64.2%	22½
Broadview.....	Vancouver.....	1,202		61
Barstow.....	Fort William.....	1,197		37
Difference in favour of Fort William.....			64.8%	24

[Hon. Mr. Oliver.]

"STATEMENT No. 4—Concluded

COMPARATIVE STATEMENT—Concluded

GRAIN and Flour, domestic rates, carloads from Various Prairie Points of equal distance to Vancouver and Fort William—Concluded

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Oak Lake.....	Vancouver.....	1,301	.....	61
Innisfail.....	Fort William.....	1,300	.....	37
Difference in favour of Fort William.....			64.8%	24
Dickens.....	Vancouver.....	1,398	.....	61
Wycliffe.....	Fort William.....	1,384	.....	53
Difference in favour of Fort William.....			15%	8

Minimum 60,000 lbs. for wheat,
60,000 lbs. for flour.TARIFFS: C.P.R. W. 4732 C.R.C. W. 2584
 " 4649 " 3558"

Next I wish to exhibit some commodity rates showing what they would be if the Crowsnest Pass Agreement were restored, on agricultural implements of all kinds in carloads. From Vancouver to Yale, 102 miles, the rate would be 30 cents per 100. From Montreal to Inkerman, 102 miles, the rate would be 35 cents per 100. From Vancouver to Kamloops, 250 miles, the rate would be 51 cents per hundred. From Montreal to Wylie, 253 miles, the rate would be 34½ cents, a difference of 50 per cent. From Vancouver to Albert Canyon, 401 miles, the rate would be 6 cents per 100, and from Montreal to Verner, 399 miles, the rate would be 37½ cents per hundred, a discrimination of practically 100 per cent. Some of the figures are worse than these. I wish to put this statement in as an exhibit.

Statement No. 5 filed as exhibit.

No. 5

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Agricultural Implements of all kinds, in carloads from Vancouver Eastward, and Montreal, Westward for similar distances, if the rates provided for in 60-61 Victoria, Chapter 5, being an Act to authorize a railway through the Crow's Nest Pass are re-established on the 7th July, 1922.

From	To	Miles	Rates in cents per 100 lbs.
Vancouver.....	Yale.....	102	30
Montreal.....	Inkerman.....	102	25
Vancouver.....	Kamloops.....	250	51
Montreal.....	Wylie.....	253	34½
Vancouver.....	Albert Canyon.....	401	65
Montreal.....	Verner.....	399	37½
Vancouver.....	Stobart.....	693	99
Montreal.....	Franz.....	698	66½
Vancouver.....	Suffield.....	792	111
Montreal.....	Heron Bay.....	802	66½
Vancouver.....	Herbert.....	985	129
Montreal.....	Fort William.....	999	50½
Vancouver.....	Broadview.....	1,202	147
Montreal.....	Barclay.....	1,203	74
Vancouver.....	Marquette.....	1,437	171
Montreal.....	Marquette.....	1,446	77½
Vancouver.....	Wolseley.....	1,170	143
Montreal.....	Wolseley.....	1,713	98½

[Hon. Mr. Oliver.]

Now I wish to put in a statement in regard to agricultural implements in carload lots from British Columbia eastward.

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Agricultural Implements, in carloads, from British Columbia points Eastward, and Fort William, Westward, for similar distances, if the rates provided for in 60-61 Victoria, Chapter 5, being an Act to authorize a railway through The Crow's Nest Pass, are re-established on the 7th July, 1922.

From	To	Miles	Rates in cents per 100 lbs.
Vancouver.....	Basque.....	196	44
Fort William.....	Wabigoon.....	198	40½
Vancouver.....	Notch Hill.....	300	57
Fort William.....	Keewatin.....	297	40½
Vancouver.....	Albert Canyon.....	401	65
Fort William.....	Hazelridge.....	400	40½
Vancouver.....	Ottertail.....	497	77
Fort William.....	MacGregor.....	498	49
Vancouver.....	Moreley.....	601	92
Fort William.....	Virden.....	600	55½
Vancouver.....	Gleichen.....	693	99
Fort William.....	Grenfell.....	700	65
Vancouver.....	Bowell.....	803	111
Fort William.....	Belle Plains.....	801	70
Vancouver.....	Medicine Hat.....	818	111
Fort William.....	Medicine Hat.....	1,076	87½

Then we have the carload rates on apples.

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Green Apples, in carloads, from British Columbia points Eastward, and from Fort William Westward, for similar distances, if the rates provided for in 60-61 Victoria, Chapter 5, being an Act to authorize a railway through The Crow's Nest Pass, are re-established on the 7th July, 1922.

From	To	Miles	Rates in cents per 100 lbs.
Okanagan Landing.....	Twin Butte, B.C.....	107	54
Fort William.....	Niblock, Ont.....	97	31½
Okanagan Landing.....	Palliser, B.C.....	199	54
Fort William.....	Wabigoon, Ont.....	198	31½
Okanagan Landing.....	Exshaw, Alta.....	301	72
Fort William.....	Keewatin, Ont.....	297	31½*
Okanagan Landing.....	Barstow, Alta.....	405	98
Fort William.....	Hazelridge, Man.....	400	31½
Okanagan Landing.....	Alderson, Alta.....	500	98
Fort William.....	MacGregor, Man.....	498	41½
Okanagan Landing.....	Cardell, Sask.....	505	107
Fort William.....	Virden, Man.....	600	46
Okanagan Landing.....	Herbert, Sask.....	701	113
Fort William.....	Grenfell, Sask.....	700	56
Okanagan Landing.....	Belle Plaine, Sask.....	801	113
Fort William.....	Belle Plaine, Sask.....	801	60
Okanagan Landing.....	Grenfell, Sask.....	902	113
Fort William.....	Herbert, Sask.....	900	64½
Okanagan Landing.....	Virden, Man.....	1,002	113
Fort William.....	Cross, Sask.....	1,001	70½
Okanagan Landing.....	Austin, Man.....	1,097	113
Fort William.....	Suffield, Alta.....	1,102	74
Okanagan Landing.....	Winnipeg, Man.....	1,182	113
Fort William.....	Cluny, Alta.....	1,184	77½

*(or a discrimination of 3 to 1 in practically the same distance)

I wish the Committee to understand these are as the rates would be if the Crows-nest Pass Agreement were restored.

[Hon. Mr. Oliver,]

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Household Furniture in carloads, from Vancouver, eastward, and Montreal westward, for similar distances, if the rates provided for in 60-61 Victoria, Chap. 5, being An Act to Authorize a Railway through The Crow's Nest Pass are re-established on 7th July, 1922.

From	To	Miles	Rates in cents per 100 lbs.
Vancouver	Yale	102	42
Montreal	Inkerman	102	36½
Vancouver	Kamloops	250	68
Montreal	Wylie	253	47
Vancouver	Albert Canyon	401	84
Montreal	Verner	399	54
Vancouver	Stobart	693	128
Montreal	Franz	698	95½
Vancouver	Suffield	792	141
Montreal	Heron Bay	802	95½
Vancouver	Herbert	985	159
Montreal	Fort William	999	67½
Vancouver	Broadview	1,202	179
Montreal	Barclay	1,203	96½
Vancouver	Marquette	1,437	200
Montreal	Marquette	1,446	105½
Vancouver	Wolsley	1,170	174
Montreal	Wolsley	1,713	129½

On coal oil in carload lots from Vancouver eastward and Fort William westward.

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Coal Oil in carloads, from Vancouver eastward, and Fort William westward, for similar distances, if the rates provided for in 60-61 Victoria, Chapter 5, being An Act to Authorize a Railway through The Crow's Nest Pass are re-established on the 7th July, 1922.

From	To	Miles	Rates in cents per 100 lbs.
Vancouver	Basque	196	53
Fort William	Wabigoon	198	37½
Vancouver	Notch Hill	300	69
Fort William	Keewatin	297	37½
Vancouver	Albert Canyon	401	77
Fort William	Hazelridge	400	37½
Vancouver	Ottertail	497	90
Fort William	MacGregor	498	49½
Vancouver	Moreley	601	107
Fort William	Virden	600	55
Vancouver	Gleichen	693	116
Fort William	Grenfell	700	67
Vancouver	Bowell	803	125
Fort William	Belle Plains	801	72
Vancouver	Medicine Hat	818	125
Fort William	Medicine Hat	1,076	88

We have another table here giving where the distances are as nearly alike as we can get, and it shows all the way up to 150 per cent discrimination against movements from British Columbia eastward as against Fort William moving westward. I have here a statement showing the movement of various commodities, cordage, binder twine, wooden ware, paints, wire, window glass, iron: bar, band, Canada plate, galvanized sheet, pipe, pipe fittings, nails, spikes, horse shoes, paper, building and roofing; roofing felt in carloads.

[Hon. Mr. Oliver.]

COMPARATIVE STATEMENT

SHOWING the rates that would be in effect from Vancouver, Eastward, and Montreal Westward, for similar distances, on various commodities as below enumerated, if the Rates provided in 60-61 Victoria, Chapter 5, being An Act to Authorize a Railway through The Crow's Nest Pass, are re-established on the 7th July, 1922.

Cordage and Binder Twine.
Woodenware.
Paints.
Wire.
Common Window Glass.
Iron, bar, band, Canada plate, galvanized sheet, pipe, pipe fittings, nails, spikes, horse-shoes.
Paper, building and roofing.
Roofing Felt.

IN CARLOADS

From	To	Miles	Rates in cents per 100 lbs.
Vancouver.....	Kamloops.....	250	60
Montreal.....	Wylie.....	253	37½
Vancouver.....	Albert Canyon.....	401	77
Montreal.....	Verner.....	399	50
Vancouver.....	Stobart.....	693	116
Montreal.....	Franz.....	698	79
Vancouver.....	Suffield.....	792	126
Montreal.....	Heron Bay.....	802	79
Vancouver.....	Herbert.....	985	143
Montreal.....	Fort William.....	999	57
Vancouver.....	Broadview.....	1,202	161
Montreal.....	Barclay.....	1,203	79½
Vancouver.....	Marquette.....	1,437	186
Montreal.....	Marquette.....	1,446	88½
Vancouver.....	Wolseley.....	1,170	158
Montreal.....	Wolseley.....	1,713	112½

I would also say that in the report of yesterday's proceedings, speaking of the manufacture of binder twine, I am made to say that they are manufacturing up to 6 skeins. What I did say was, they are manufacturing binder twine, cordage and rope up to 6 inches diameter.

By Mr. Euler:

Q. Would you say there was discrimination on all commodities? Would you say there was discrimination in everything?—A. No, I would not say that, but I think there is. I am simply giving examples.

Q. Would you say it was general?—A. I think it is fairly general. I have a table here in regard to standard apparatus in which the same principle is carried through. Now we have here one of the most glaring instances, from Vancouver to Morley, 601 miles, 107 cents per hundred pounds, and from Fort William to Virden, the same distance, 62 cents.

By Mr. Manion:

Q. What commodity is that?—A. That is a general commodity, cordage, woodenware, paints, wire, common window glass; iron: bar, band, Canada plate, galvanized, sheet, pipe, pipe fittings, nails, spikes, horse shoes; paper, building and roofing. Roofing felt.

COMPARATIVE STATEMENT

SHOWING rates that would be in effect from Vancouver eastward, and Fort William, westward, for similar distances on various commodities as below enumerated, if the rates provided for in 60-61 Victoria, Chap. 5, being An Act to Authorize a Railway through The Crow's Nest Pass are re-established on the 7th July, 1922.

Cordage and Binder Twine.
Woodenware.
Paints.
Wire.
Common window glass.
Iron—bar, band, Canada plate, galvanized, sheet, pipe, pipe fittings, nails, spikes, horse-shoes.
Paper, Building and roofing.
Roofing felt.

In CARLOADS

From	To	Miles	Rates in cents per 100 lbs.
Vancouver.....	Choate.....	95	35
Fort William.....	Niblock.....	97	42½
Vancouver.....	Basque.....	196	53
Fort William.....	Wabigoon.....	197	42½
Vancouver.....	Notch Hill.....	300	69
Fort William.....	Keewatin.....	297	42½
Vancouver.....	Albert Canyon.....	401	77
Fort William.....	Hazelridge.....	400	42½
Vancouver.....	Ottertail.....	497	90
Fort William.....	MacGregor.....	498	56
Vancouver.....	Moreley.....	601	107
Fort William.....	Virdeu.....	600	62
Vancouver.....	Gleichen.....	693	116
Fort William.....	Grenfell.....	700	75½
Vancouver.....	Bowell.....	803	126
Fort William.....	Belle Plaine.....	801	81
Vancouver.....	Medicine Hat.....	818	126
Fort William.....	Medicine Hat.....	1,076	99

Now I have a general statement of household furniture in carloads eastward and westward if the Crowsnest Pass agreement was restored. Take Vancouver to Broadway 1,202 miles, 179 cents per hundred and Montreal to Barclay, the same distance, 96½ cents. I think speaking on Friday, I took the stand that if the Crowsnest Pass rates were to be applied, aggravating the present discrimination that it would have the effect of absolutely wiping out a number of coast industries, at all events as far as applying to any points outside of British Columbia was concerned, and I wish to reiterate that statement now.

By Hon. Mr. Crerar:

Q. Those are industries that have sprung up in the last year or so?—A. Practically since the Crowsnest pass agreement came into force in 1897. I would not say they sprung up in the last year or two, because we have been protesting year after year to the Board of Railway Commissioners against this discrimination since 1906, but those are some of the handicaps I am putting before this Committee that our western production is labouring under at the present moment and as they will be aggravated if the Crowsnest Pass agreement is restored.

Now I have some other tables here which I think I will file at the present time. The rates that I am giving you here are the rates as they exist at the present time, and it is a comparative statement, that is a statement of class rates as I understand not affected by the Crowsnest Pass agreement. The movement from Vancouver to Kamloops, 250 miles as compared with Montreal to Wylie, 253 miles. There is a discrimination of 34.8 per cent as against Vancouver. From Vancouver to Suffield, 792 miles compared with Montreal to Heron Bay, 802 miles, a discrimination

[Hon. Mr. Oliver.]

against Vancouver of 82 per cent. From Vancouver to Marquette, 1,437 miles as compared with Montreal to Marquette, 1,446 miles, a discrimination of .045.6 per cent.

By Hon. Mr. Manion:

Q. Is that any special commodity again?—A. These are class rates.

Following the submission that I have made that transportation should be extended to the people of British Columbia on the same basis that is extended by the same companies, transcontinental in their nature, to other people in other sections of the Dominion, I am going to submit a statement of a few rates, and there are not going to be made, which will give you some indication of the extremely large handicap that the Western industrial community is subject to when it endeavours to enter into the sale of commodities to the markets of the Prairie provinces. File Statement No. 7 (Page 1, Series 2, of Book of Exhibits).

COMPARATIVE STATEMENT

Vancouver, Eastbound } Class Rates.
Montreal, Westbound }

From	To	Miles	Average per cent Difference	Rates in cents per 100 lbs.				
				1	2	3	4	5
Vancouver.....	Kamloops.....	250	.....	134	113	90	68	60
Montreal.....	Wylie.....	253	.....	75½	66½	58	47	37½
Difference in favour of Montreal.....			34.8%	58½	46½	32	21	22½
Vancouver.....	Suffield.....	792	.....	282	234	188	141	126
Montreal.....	Heron Bay.....	802	.....	187	155	125½	90	75½
Difference in favour of Montreal.....			82.1%	95	79	62½	51	50½
Vancouver.....	Marquette.....	1,437	.....	399	333	261	200	186
Montreal.....	Marquette.....	1,446	.....	276½	229	184½	144½	119
Difference in favour of Montreal.....			45.6%	122½	104	76½	55½	67
Vancouver.....	Wolseley.....	1,170	.....	348	291	233	174	158
Montreal.....	Wolseley.....	1,713	.....	346½	288	232½	179½	150
Difference in favour of Montreal.....				1½	3	½		8
Difference in favour of Vancouver, 4th Class.....								5½

Mileage from Montreal 46.7% longer.

TARIFFS: C.P.R. W. 4827 C.R.C. W. 2611
" E. 2879 " E. 3220
C.F.A. 4-C " 59

We will take sugar, which is manufactured in Vancouver as well as in Montreal. From Vancouver to Morse, Sask., 994 miles, the rate is 141 cents per hundred; from Montreal to Fort William, 996 miles, 79 cents, 100 per cent difference. I will file this statement. Now I have here a table showing the movement of apples. This statement is based on the earnings per ton mile. From Toronto westward the earnings are .0153 per ton mile. The earnings per ton mile from Okanagan Landing on an east movement is .0484 or over three times the rate. That is a pretty serious thing for British Columbia. What justification can this Committee or Parliament give that British Columbia should be charged three times for moving one of her basic commodities as Ontario is being charged for moving the same commodity the same distance. I want to tell this Committee that our industrial life in British Columbia is absolutely at stake in this issue before the Committee at this moment.

By the Chairman:

Q. On the Crownsnest Pass agreement?—A. I take it, Mr. Chairman, that the Crownsnest agreement involves the whole rate structure and I will give you as my
[Hon. Mr. Oliver.]

authority, Mr. Beatty, who took that stand, and I will give you as that authority Mr. Hanna who declared that the whole rate structure of the Crowsnest agreement if brought back is all shot to pieces. I submit that the present position is this, that you have to consider the bringing back of the Crowsnest agreement rates or a substitution of some other rates in lieu of it. You have the evidence before this Committee given the other day of both Mr. Beatty and Mr. Hanna and their under officials to the effect that the bringing back of the Crowsnest Pass agreement will affect the revenue of the Canadian Pacific to the extent that they will be, compared on the basis of last year, \$15,000,000 short of meeting their fixed charges and dividends, and we have the statement by Mr. Hanna that it will affect their revenue to the extent of over \$10,000,000, so without going any further, we have a condition to-day in which the revenues of the two railway corporations are affected to the extent of at least \$26,000,000 according to their own statement. Is not that a fact, and is not the argument put before the Committee by Mr. Beatty and by Mr. Hanna to this effect that if you restore the Crowsnest Pass agreement you will make it impossible to reduce rates on other basic commodities which are admitted to be too high and it is admitted that those basic commodities cannot and are not being moved because of the rate now in force, and the trend of the evidence was that the restoration of the Crowsnest Pass agreement would make it impossible to reduce those rates and it was intimated that it would either prevent rate reduction or it may have the effect of having to increase rates on other commodities to make up the deficiency that was going to be caused to the railways in bringing back into effect the Crowsnest agreement. That is the argument of the railway men. It appeals to my reason as having some force. I am willing to discount it liberally but even discounting it 50 per cent you have a serious discrimination to face.

Sugar is taken, next, because sugar is refined in Vancouver and Montreal, and because it is a commodity largely used throughout the Prairies. (See page 2, Series 2, of Book of Exhibits).

COMPARATIVE STATEMENT

RATES ON SUGAR, CARLOADS, FROM VANCOUVER AND MONTREAL TO PRAIRIE POINTS.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Vancouver.....	Morse, Sask.....	994 Com. Rate..		141
Montreal.....	Ft. William.....	996 Class “		79
Difference in favour of Montreal.....			78.4%	62
Vancouver.....	Grand Coulee.....	1,099 Com. Rate..		145
Montreal.....	Niblock, Ont.....	1,095 Class “		83
Difference in favour of Montreal.....			74.6%	62
Vancouver.....	Broadview, Sask.....	1,201 Com. Rate..		155½
Montreal.....	Barclay, Ont.....	1,202 Class “		96
Difference in favour of Montreal.....			61.9%	59½
Vancouver.....	Brandon, Man.....	1,333 Com. Rate..		160
Montreal.....	Rennie, Man.....	1,343 Class “		111
Difference in favour of Montreal.....			44.1%	49
Vancouver.....	Winnipeg.....	1,466 Com. Rate..		160
Montreal.....	Winnipeg.....	1,418 “		114
Difference in favour of Montreal.....			40.3%	46
Vancouver.....	McLean, Sask.....	1,750 Class Rate..		152
Montreal.....	McLean, Sask.....	1,133 Com. “		151
No Difference.				

TARIFFS: C.P.R. W. 4827
C.F.A. 4-CC.R.C. W. 2611
“ 59

[Hon. Mr. Oliver.]

A statement is given of rates on Canned Goods, as follows, (See Page 4, Series 2, Book of Exhibits).

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Vancouver.....	Notch Hill.....	300 Class Rate..		69
Windsor.....	Coldwater.....	299 ".....		41½
Difference in favour of Windsor.....			66·2%	27½
Vancouver.....	Cluny.....	702 Class Rate..		120
Windsor.....	Herbert.....	701 ".....		72
Difference in favour of Windsor.....			66·6%	48
Vancouver.....	Swift Current.....	957 Com. Rate..		134
Windsor.....	St. John, N.B.....	1,033 ".....		66½
Difference in favour of Windsor.....			101·5%	67½
Vancouver.....	Regina.....	1,109 Com. Rate..		137½
Windsor.....	St. Leonards Jet., N.B.....	1,085 ".....		66½
Difference in favour of Windsor.....			106·7%	71

TARIFFS: C.P.R. W. 2827
" E. 3575
" E. 2879

C.R.C. W. 2611
" E. 3804
" E. 3220

Now, it will also have the effect of making it impossible for Parliament to remedy the discrimination of which we are now complaining, and to give British Columbia the relief to which it is entitled. It will make that impossible except on one condition, and that is that the nation as a whole shall foot the bill for the deficiencies in revenue of the railways if the railways are forced, as Mr. Hanna intimated to the Committee, to reduce the rates on other basic commodities in order to bring them on a parity with the rates under the Crowsnest Pass agreement. That was the trend of the argument. I am endeavouring to point out to you the discriminations under which British Columbia has suffered, and I am appealing to you for a remedy, and as the foundation for that appeal I am trying to prove to you the discriminations which now exist and which would be aggravated were the Crowsnest Pass agreement restored.

I have another table here showing the rates on apples, carload, from Vancouver and Montreal to Calgary, Regina and Winnipeg, showing the difference in mileage rates, the percentage difference in mileage and rates and earnings per ton mile. The earnings per ton mile on apples from Montreal are .0146, and the earnings per ton mile moving eastward from Vancouver are .0398, or practically three times the former figure on the same commodity. I wish to put this table in the record:—

COMPARATIVE STATEMENT

RATES on Apples, carload, from Vancouver and Montreal to Calgary, Regina and Winnipeg, showing difference mileage rates, percentage difference in mileage and rates and earnings per ton mile.

From	To	Miles		Rates in cents per 100 lbs.
Montreal.....	Calgary.....	2,240		164
Vancouver.....	Calgary.....	642		128
Difference.....		1,598		36
Mileage from Montreal.....			248.9% longer	
Rate from Montreal.....			28.1% more	
Earnings per ton mile from Montreal.....			0.0146	
Earnings per ton mile from Vancouver.....			0.0398	
Montreal.....	Regina.....	1,774		133
Vancouver.....	Regina.....	1,109		128
Difference.....		665		5
Mileage from Montreal.....			59.9% longer	
Rate from Montreal.....			3.9% more	
Earnings per ton mile from Montreal.....			0.0149	
Earnings per ton mile from Vancouver.....			0.023	
Vancouver.....	Winnipeg.....	1,466		128
Montreal.....	Winnipeg.....	1,417		91
Difference.....		49		37
Mileage from Vancouver.....			3.4% longer	
Rate from Vancouver.....			40.6% more	
Earnings per ton mile from Vancouver.....			0.0106	
Earnings per ton mile from Montreal.....			0.0128	

Minimum weight from Vancouver June 1st, to September 30th, 30,000 lbs. and 36,000 lbs., Oct. 1st to May 31st, minimum weight from Montreal 30,000 lbs.

TARIFFS:—

C. P. R. W.....	4,083	C. R. C. W.....	2,464
C. F. A.....	5-E	"	88

I now wish to introduce a table showing the movement of lumber, and to take, for the purposes of comparison, the rates between Vancouver and Calgary, Alta., and Mont Laurier and Chatham, Ont. The rate on western lumber is 53½ cents per hundred pounds, and the rate on eastern lumber is 32 cents per hundred pounds, and so on down. I would like this table put into the record:—

[Hon. Mr. Oliver.]

COMPARATIVE STATEMENT

LUMBER rates, carload, comparing rates from Vancouver with those from Mont. Laurier, Que., for similar distances.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Vancouver.....	Calgary, Alta.....	642		53½
Mont. Laurier.....	Chatham, Ont.....	671		32
Difference in favour of East.....			67.1%	21½
Vancouver.....	MacLeod, Alta.....	751		57½
Mont. Laurier.....	Windsor, Ont.....	719		32
Difference in favour of East.....			79.2%	25½
Vancouver.....	Edmonton, Alta.....	774		57½
Mont. Laurier.....	Sault Ste. Marie.....	782		31½
Difference in favour of East.....			82.5%	26
Vancouver.....	Medicine Hat.....	818		57½
Mont. Laurier.....	Dalton, Ont.....	818		34
Difference in favour of East.....			69.1%	23½

Minimum weight from Vancouver..... 50,000 lbs.

Minimum weight from Mont. Laurier..... 40,000 lbs.

TARIFFS:—

C.P.R. W..... 4,710 C.R.C. W..... 2,573

C.P.R. E..... 3,590 C.R.C. E..... 3,818

Rate per ton mile Vancouver to Winnipeg..... 1,474 miles 82c.

Rate per ton mile Mont. Laurier to Dalton..... 818 miles 83c.

Showing Eastern rate no lower than long haul in the West.

I now wish to introduce a comparative statement showing the rates on building paper, which, as I said the other day, is reduced in British Columbia. The difference is very large. The distances are not the same, but if the mileage from Sault Ste. Marie to Calgary, and from Vancouver to Calgary are compared it will be seen that the distance from Sault Ste. Marie is 153.9 per cent longer and the charge is 85.1 per cent higher. From Sault Ste. Marie to Nelson, B.C., the distance as compared with the distance from Vancouver to Nelson, B.C., is 263.8 per cent longer and the charge is 144 per cent more. With regard to the movement from Sault Ste. Marie to Cranbrook, B.C., as against the movement from Vancouver, B.C., to Cranbrook, B.C., the distance is 172.8 per cent longer and 86.6 per cent more in charge. You will therefore see that the charges are not in proportion to the distance the commodity is moved. I would like this table put into the record:—

COMPARATIVE STATEMENT

RATES on Building Paper, carload, from Vancouver Marpole, B.C. and Sault Ste. Marie, Ont. to Prairie and British Columbia points.

From	To	Miles	—	Rates in cents per 100 lbs.
Sault Ste. Marie.....	Calgary.....	1,618		200
Vancouver.....	Calgary.....	642		108
Difference.....		976		92
Mileage from Sault Ste. Marie.....			153.9% longer	
Rate from Sault Ste. Marie.....			85.1% more	
Sault Ste. Marie.....	Nelson, B.C.....	1,886		227
Vancouver.....	Nelson, B.C.....	513		93
Difference.....		1,373		134
Mileage from Sault Ste. Marie.....			263.8% longer	
Rate from Sault Ste. Marie.....			144.0% more	
Sault Ste. Marie.....	Cranbrook, B.C.....	1,752		213
Vancouver.....	Cranbrook, B.C.....	642		114
Difference.....		1,110		99
Mileage from Sault Ste. Marie.....			172.8% longer	
Rate from Sault Ste. Marie.....			86.6% more	

Minimum weight from Vancouver..... 40,000 lbs. /
 Minimum weight from Sault Ste. Marie..... 36,000 lbs.

TARIFFS:—			
C.P.R. W.....	4827	C.R.C.....	2611
C.F.A.....	5-E	C.R.C.....	88

Re Fertilizer, the following item is taken from Comparative Statement, to be found on Page 26, Series 2, of Book of Exhibits.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.
Vancouver.....	Edmonton.....	774		74
Eastern.....	Mileage.....	774		37½
Difference in favour of Eastern.....			97.3%	36½

TARIFFS:—			
C.P.R. W.....	4827	C.R.C. W.....	2611
C.P.R. E.....	3721	C.R.C. E.....	3907

I now introduce a table in regard to class rates. The difference between the British Columbia rate and the Eastern rate runs from 44.2 per cent upwards for similar distances. In other words, British Columbia is forced to pay an average of 50 per cent more for her movement. I wish to place this table in the record.

COMPARATIVE STATEMENT

PACIFIC AND EASTERN STANDARD MILEAGE SCALE — CLASS RATE

	Miles	1	2	3	4	5	Average per cent Difference
Pacific.....	200	131	108	87	65	59	
Eastern.....	200	83	72	63	52½	41½	
Difference in favour of Eastern.....		48	36	24	13½	17½	44.2%
Pacific.....	300	170	141	114	86	77	
Eastern.....	300	108	95½	81½	68	54	
Difference in favour of Eastern.....		62	45½	32½	18	23	45.1%
Pacific.....	400	210	176	140	105	93	
Eastern.....	400	125½	109½	95½	79	63	
Difference in favour of Eastern.....		84½	66½	44½	26	30	53.2%
Pacific.....	500	245	204	164	123	108	
Eastern.....	500	144	125½	108	90	72	
Difference in favour of Eastern.....		101	78½	56	33	36	56.4%
Pacific.....	600	272	227	182	135	123	
Eastern.....	600	162	142½	122	100½	81½	
Difference in favour of Eastern.....		110	84½	60	34½	41½	52.6%
Pacific.....	700	302	251	200	150	135	
Eastern.....	700	190½	167½	144	119	95½	
Difference in favour of Eastern.....		111½	83½	56	31	39½	44.8%

Tariffs: C.P.R. No. W. 4833
C.P.R. No. E. 3718

C.R.C. No. W. 2613
C.R.C. No. E. 3904

I wish now to introduce a comparative statement of the class rates, comparing Vancouver with Winnipeg, which shows 39.5 per cent difference in favour of Winnipeg in one case, and 28.2 per cent difference in favour of Winnipeg in the other case.

On the same statement is shown the difference in class rates between Vancouver eastbound and Fort William westbound. The difference in favour of Fort William is 41.3 per cent in one case, and 34.5 per cent in another, and 25.1 per cent in another case. I wish this table placed in the record:—

COMPARATIVE STATEMENT

Vancouver, Eastbound } Class Rates
Winnipeg, Westbound }

Average per cent Difference	From	To	Miles	Rates in cents per 100 lbs.				
				1	2	3	4	5
39.5%	Vancouver.....	Notch Hill.....	300	152	126	102	77	69
	Winnipeg.....	Wolseley.....	296	110	92	72	56	48
	Difference in favour of Winnipeg.			42	34	30	21	21
	Vancouver.....	Bowell.....	803	262	234	188	141	126
28.2%	Winnipeg.....	Indus.....	807	219	183	147	110	98
	Difference in favour of Winnipeg.			53	51	41	31	28
	Winnipeg.....	Exshaw.....	881	233½	195	155	117	107
	Vancouver.....	Exshaw.....	585	230	192	153	116	104
	Difference in favour of Vancouver.			296	3½	3	1	3

Tariffs: C.P.R. W. 4827 C.R.C. W. 2611
C.P.R. W. 4638 C.R.C. W. 2548

COMPARATIVE STATEMENT

Vancouver, Eastbound } Class Rates
Ft. William, Westbound }

Average per cent Difference	From	To	Miles	Rates in cents per 100 lbs.				
				1	2	3	4	5
41.3%	Vancouver.....	Notch Hill.....	300	152	126	102	77	69
	Fort William.....	Keewatin.....	297	108	90	72	54	48
	Difference in favour of Fort William.			44	36	30	23	21
	Vancouver.....	Ottertail.....	497	201	168	134	101	90
34.5%	Fort William.....	MacGregor.....	498	149	125	99	75	68
	Difference in favour of Fort William.			52	43	35	26	22
	Vancouver.....	Bowell.....	803	282	234	188	141	126
	Fort William.....	Belle Plains.....	801	225	188	149	113	101
25.1%	Difference in favour of Fort William.			57	46	39	28	25

SPECIAL COMMITTEE

I now wish to introduce a table in regard to the movement of lumber from Vancouver to Calgary, Alta., as compared with the movement of lumber from Fort William to Russell, Man. The difference in favour of Fort William is 44.5 per cent in one case and 29.2 per cent in another case.

On the same statement is shown the rate from Okanagan Landing to Twin Bute, B.C., and other points, for green carload fruit. The difference in favour of Fort William in one case is 113.1 per cent, in another 48.6 per cent, in another 71.4 per cent, and in another 44.6 per cent.

These instances that I have shown where the rate runs all the way up from 25 per cent to 200 per cent against British Columbia are surely proof enough that British Columbia has been discriminated against most seriously. I wish to place this table on the record:—

COMPARATIVE STATEMENT

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.	
Vancouver.....	Calgary, Alta.....	642		53½	
Fort William.....	Russell, Man.....	641		37	
Difference in favour of Fort William.....				44.5%	16½
Vancouver.....	MacLeod, Alta.....	751		57½	
Fort William.....	McLean, Sask.....	752		44½	
Difference in favour of Fort William.....				29.2%	13

Tariffs: C.P.R. W. 4710 C.R.C. W. 2573
 C.P.R. W. 4743 C.R.C. W. 2589

COMPARATIVE STATEMENT

RATE on fruit, green, carload, Okanagan Landing, B.C. eastbound and Fort William westbound for similar distances.
 Commodity rates are authorized from Okanagan Landing,] but class rates only are in effect from Fort William.

From	To	Miles	Per cent Difference	Rates in cents per 100 lbs.	
Okanagan Landing.....	Twin Bute, B.C.....	107		81	
Fort William.....	Niblock, Ont.....	97		38	
Difference in favour of Fort William.....				113.1%	43
Okanagan Landing.....	Exshaw, Alta.....	301		107	
Fort William.....	Keewatin, Ont.....	297		72	
Difference in favour of Fort William.....				48.6%	35
Okanagan Landing.....	Barstow, Alta.....	405		143	
Fort William.....	Hazelridge, Man.....	400		84	
Difference in favour of Fort William.....				71.4%	59
Okanagan Landing.....	Alderson, Alta.....	500		143	
Fort William.....	MacGregor, Man.....	498		99	
Difference in favour of Fort William.....				44.6%	44

By Mr. Macdonald:

Q. Has that disparity of rates always existed?—A. I cannot say that, because I have not examined every tariff that has been issued; but, generally speaking, I would say it is approximately correct over a long period of years.

By Mr. McConica:

Q. They have existed while this agreement has been abrogated?—A. They existed both under the Crowsnest pass agreement and since it was abrogated.

Q. Since it was abrogated they have existed just the same?—A. Yes.

Q. Have you any reason to believe they would be changed if the Crowsnest pass agreement was reinstated?—A. I want to say that our past experience in appealing to the Board of Railway Commissioners has not been very productive of good. I want to point out to this Committee now—I did not intend to bring it in just at this time, but my friend's question has introduced it—that we have appealed from 1906 up to the present time to the Board of Railway Commissioners for redress. For the last sixteen months continuously this question has been before the Board of Railway Commissioners on behalf of British Columbia. Our counsel here have attended twenty-one sittings of the Board of Railway Commissioners, extending over sixteen months, and I want to say without disrespect to this Committee and without disrespect to the Board of Railway Commissioners, that the proceedings here are something like putting the cart before the horse. I say so respectfully for this reason: The Board of Railway Commissioners has been inquiring into this matter for over a year last past, and I say the report of the Board of Railway Commissioners on the evidence adduced before them should have been placed before this committee, and that the findings of the Board of Railway Commissioners should be known not only to Parliament but to the public of Canada so that this hearing might show whether or not any improvements could be made on the recommendations of the Board of Railway Commissioners who have had this subject under consideration for over a year.

By Mr. Euler:

Q. Have the Board of Railway Commissioners made their finding yet?—A. I do not know. Have the Board of Railway Commissioners ever been asked whether they have made a finding or whether they are ready to submit a report?

The CHAIRMAN: The Board of Railway Commissioners state that they want the report of Parliament as to the effect of the reinstatement of the Crowsnest pass agreement before issuing their finding.

WITNESS: My answer is that the Board of Railway Commissioners must know the effect of the agreement on the railway rate structure of Canada better than I can know it and better than this Committee can know it in spite of the knowledge they may obtain during the sitting of the present Parliament.

By Hon. Mr. Stewart:

Q. Before you leave that point: Might not the report of the Board of Railway Commissioners be influenced by the principle that you have laid down? You made the statement on page 137 of the evidence, and you have repeated it here just a few moments ago, in discussing the revival of the Crowsnest pass agreement: "Isn't it a case where you are carrying one commodity at a loss for a special industry at the expense of other industries? In other words, you are charging excess prices for service rendered some other commodity or some other industry so as to benefit some other industry. I don't think it is fair and I don't think it is good business. I would like to recommend this principle for the consideration of the Committee, that where it is necessary as a matter of public policy to carry goods at less than service given, that excess should be carried by the nation at large and not by having that excess put upon some other industry or some other locality." The question

[Hon. Mr. Oliver.]

I would like to ask you is this: If the adoption of the commodity rates resulted in an operating loss, then it is your view that that loss should be borne by the nation or should be taken out of general revenue. That would be a very simple matter so far as the National lines are concerned, because it would merely increase the deficit we now have, but are we to understand it to be your opinion that if the adoption of commodity rates, rendered necessary, as you express it, in the interests of different localities, should result in an operating loss, that that loss, so far as the Canadian Pacific Railway is concerned, should be paid by the nation?—A. I think I prefaced that statement by another one to the effect that the rates charges should be based on the services rendered. As a principle, I would not favour carrying losses by the nation as a rule. I would say this, that the first thing to demonstrate is that it is absolutely necessary to carry something at a loss. That is the first thing. I do not admit it is necessary, but if it is demonstrated that it is necessary, I say it is more equitable that the nation as a whole should carry that loss than that it should be put upon some other commodity or industry or territory.

Q. Do you include the privately-owned corporations as well as the National Railways?—A. My answer to that is this, and I think it is a commonsense answer, that neither railway corporations or industries or any business can carry on indefinitely at a loss. Railway corporations, like any other industry, whilst their revenues will vary, must obtain sufficient earnings in the aggregate to balance their outlay, and if you force a railway corporation by means of legislation into a position where its earnings cannot balance its outlay, then you have to make good the deficit or they have to cease operation. Is not that correct?

Q. You have hardly answered the question yet. Do we understand you to say that if the adoption of commodity rates resulted in a condition whereby these commodities could not be carried at the fixed rates and show an operating profit, the consequent loss should be borne by the nation both as regards the National Railways and the privately-owned railways?—A. I have placed my position before the Committee, and I am satisfied that the Committee are sufficiently intelligent to grasp what I have in my mind.

By Mr. McConica:—

Q. We would like to know what that is.

By Hon. Mr. Stewart:

Q. Then we are to understand, Mr. Oliver, that you prefer that we should infer your position rather than that you should state it clearly yourself?—A. I may say I am not so sure that I am able to state it any more clearly than I have done.

Mr. Chairman, these questions have to some extent broken the trend of what I wish to put before the Committee, but I will pick it up again as best I can. I understand from the railway officials who gave evidence, that they were prepared to offer very material reductions from what they called basic commodities. A number of these commodities were mentioned. I have a telegram which I received and which I would like to read and put in on behalf of the Nelson Board of Trade. It is dated Nelson, May 26th, and reads:

“In view of changed conditions since the commencement of the Crowsnest agreement doubt if it best interests of country that same be renewed. What this country needs is a substantial and immediate reduction on east and west bound freight rates on basic commodities of this country such as forest products, coal, coke, ore, metal, live stock, grain, fruit, vegetables and building material and we ask you to represent us and urge these, in the event of abrogation of said agreement.”

It is signed by F. A. Starkey, Acting Secretary of the Nelson Board of Trade.
[Hon. Mr. Oliver.]

Now just a word on the question of commodities. I think that as far as British Columbia is concerned, in addition to the commodities mentioned by the Nelson Board of Trade there are, so far as British Columbia is concerned, other basic commodities. Take for instance fish, fresh, salted and canned. Take canned goods of many descriptions, canned fruit, canned vegetables and canned milk—they are got up very extensively in the province of British Columbia. Just as grain is probably the most important basic commodity of the prairie provinces, the products of the forest, of the mine and the fisheries and fruit, vegetables and canned goods generally are also being produced in ever increasing quantities in the province of British Columbia, and in considering commodity rates all these should be taken into consideration. I just wish to observe that if according to the officials of the railway corporations the restoration of the Crowsnest pass agreement means millions of dollars to the revenues of the railway companies, the reverse position is also true. It means millions of dollars to the pockets of the men who have to pay the rates. I think that that should not be lost sight of in considering this question.

Now, I think I have dealt as exhaustively as is necessary with the question of discrimination of which British Columbia complains, and I want to place certain facts before this Committee that should have every consideration in forming any new rate structure.

By Hon. Mr. Manion:

Q. Would it be well to ask a question or two about discrimination here, or would Mr. Oliver rather wait until he has concluded his whole statement. I want to ask him a couple of questions as to discrimination. Would you rather have the questions asked now or later?—A. It is absolutely immaterial to me.

Q. In regard to the rates from Fort William and from Vancouver east, which you mentioned in your percentages, would the fact that the cars coming east are loaded with grain and are therefore going back empty have any effect upon the discrimination?—A. I say it does affect it, and it will affect it much more in the future. Let me point out, as I stated on Friday, that approximately 7,000,000 bushels of grain went west out of last season's crop, and if we had had a lower freight rate on lumber those cars would probably have come back to the prairies filled with lumber for building material.

Q. How did they come back?—A. I cannot say that.

By Mr. Shaw:

Q. Was there any demand for lumber last year?—A. There is always a certain demand for lumber. What I say is, on the coast particularly, when the large increase went into effect on freight rates generally, it simply had a paralyzing effect on the lumber industry on the coast.

By Hon. Mr. Manion:

Q. To follow our your argument, when you say that 7,000,000 bushels of wheat went west to British Columbia, you know of course that perhaps 270,000,000, or at any rate something over 200,000,000 bushels came east, and therefore there would be many more cars to go back west to Fort William than would come say from Vancouver. Is that not the main reason for that discrimination which you have mentioned, the amount of traffic coming east in the shape of grain?—A. I do not see why it should have. It may have. But I do not see any reason why it should have.

Q. The cars would go back empty?—A. They might as well go back empty from Fort William as from Vancouver.

Q. Except that there would be a much larger proportion.—A. I will put this as a supplement to my friend's question: If the railway companies are moving cars back westward empty, is that any reason why they should carry the freight at a less rate?

[Hon. Mr. Oliver.]

Q. No, except that they carry a great deal more freight from the East to the West because of the fact that they have those cars that have to come East.—A. And because of the further fact that there is from 50 per cent to 100 per cent discrimination against westward movements.

Q. Another question with regard to discrimination, and then I am finished. You have, I believe, a provincial railway in British Columbia?—A. Some member of the Opposition calls it a rabbit trap.

Q. But you have a provincial railway of your own?—A. Yes.

Q. How do the rates of your provincial railway compare with those on the other lines?—A. They are very much higher.

Q. On the provincial railway than on the other railways?—A. Yes, very much higher, and I will tell you why. It is costing two and a half dollars on operation to earn one dollar because of the volume of movement and the difficulty of operation and because the road as constructed begins nowhere and ends nowhere at the present time. There is no fair minded man who would seek to make a comparison.

Q. I am not making a comparison; I was just trying to find out why the rates from British Columbia were higher. I had been told what you have just said, that the rates on your provincial road were very much higher than the rates on the other roads, and if it is in the interests of economy to charge higher rates on the provincial road perhaps it is necessary to charge higher rates on the other roads because of the mountainous country?—A. I want to tell my friend this: we apply the same rate to the whole length of that road, but on your Canadian roads you are charging us three times as much rate for the same distance.

By Hon. Mr. Crerar:

Q. May I ask if that provincial railway was built by the present administration in British Columbia?—A. It was not started by it; we have been trying to patch it up and make it workable. To-day we are losing \$3,000,000 a year out of the provincial treasury and we are being paralyzed by a misconception of a railway.

By Mr. Euler:

Q. Before you leave the question of discrimination, I understood Mr. Stewart to quote from your evidence of Friday that you thought the rates should be based on surface costs. Is that correct? If that is the case, I was going to ask you whether you accept as a proper basis for discrimination as between East and West the undoubted fact that it costs more to haul freight in the mountainous section of British Columbia than on the prairies. Will you grant that?—A. I will deal with that a little later on. I deny your position.

Q. I am not taking that position; I am asking yours.—A. I will come to that later on.

The CHAIRMAN: Gentlemen, we must not get too far away from the issue.

Mr. McGEER, K.C.: I would like to deal with one question, the relation of empty to loaded car mileage in answer to Mr. Manion's question. We have the figures for the different districts, and taking Ontario as a typical eastern province the relationship of empty to loaded car miles—

Mr. MITCHELL: I do not want to make any objection, but I think the rule was laid down on Friday that we would not hear counsel. If they want to put counsel for British Columbia into the box to make his statement before the Committee in the usual way, alright; but I do not see why we should vary that rule even in a little thing.

The CHAIRMAN: I would not look upon Mr. McGeer as counsel. He is sitting close by Mr. Oliver to supplement casual statements he may make. Of course, we will not allow counsel. Is your statement long, Mr. McGeer?

Mr. McGEER: No.

[Hon. Mr. Oliver.]

The CHAIRMAN: I do not think we should go into the question of empties.

Mr. HUDSON: Mr. McGeer is in precisely the same position as Mr. Lanigan when Mr. Beatty was being heard.

The CHAIRMAN: Yes, the same position as Mr. Lanigan or Mr. Hayes.

Mr. McGEER: I will just give you the figures. In 1916 the relationship between empty and loaded car miles in Ontario was 34 and in British Columbia 39.

Hon. Mr. MANION: That is the percentage of empties?

Mr. McGEER: The ratio of empty to loaded car miles. In 1917, in Ontario it was 32 and in British Columbia 39. In 1918, in Ontario it was 35 and in British Columbia 37. In 1919, it was 31 in Ontario and 38 in British Columbia. In 1920, it was 28 in Ontario and 39 in British Columbia, indicating the reverse of the statement submitted that the relationship of empties to loaded cars was greater in the East than it was in the West. On the question of the Pacific Great Eastern I may supplement Mr. Oliver's statement by saying what I think the Committee ought to know that the Pacific Great Eastern was in its construction looked upon as a feeder to the Grand Trunk Pacific, and more or less necessary in the operation of the Grand Trunk Pacific in competition with the C.N.R. But when the Dominion Government took over the Grand Trunk Pacific and the Canadian Northern and consolidated them in one line they made the Canadian Northern a feeder to the Grand Trunk Pacific in substitution for the Pacific Great Eastern. The Pacific Great Eastern Railway was by that consolidation practically wiped out, or any appreciation in the value of the Pacific Great Eastern as it was contemplated on its original construction was largely wiped out by the Dominion Parliament.

By Mr. Shaw:

Q. You told us about discrimination against British Columbia. Are there any discriminations in favour of any ports of British Columbia?—A. I don't know of any.

Q. Do you know of a Transcontinental rate which is based on the water rate around the Panama Canal which is much less than any other commodity rate?—A. I have no information that that rate, the Transcontinental westward is any less than it is eastward.

Q. Any less than eastward?—A. Yes.

Q. But have you discrimination say in favour of Vancouver as against we will say Calgary, so far as the Transcontinental rate is concerned?—A. I am unable to answer that question.

Q. I would like to ask you another question, Mr. Oliver. You have given us—A. I might further say that if we have are we not entitled to the advantage of our position as a salt water port equally with Halifax or any of the eastern ports.

Hon. Mr. MANION: Fort William is a fresh water port.

By Mr. Shaw:

Q. You have given us a great many evidences of discrimination. Do these not largely arise by reason of the competition in rates in Eastern Canada due to lake competition?—A. Possibly to some extent, but I want to point out that lake transportation is only available six months in the year.

Hon. Mr. MANION: Eight or nine.

WITNESS: Then the climate of Eastern Canada has changed very materially in the last few years. If your transportation facilities are open nine months in the year I would like to know it.

Hon. Mr. MANION: I object to Mr. Oliver cutting down the navigation months of this country. I have lived on the lakes for some years, about thirty or more and the navigation is never less than eight. They are certainly not as low as six.

[Hon. Mr. Oliver.]

By Mr. Shaw:

Q. Do you recognize that there should be some difference in carrying freight charges when you have in mind that the C. P. R. through British Columbia goes through a much more mountainous and much more difficult territory?—A. If my friend will hold his horses for a while I will deal with that probably more intimately than my friend could.

By Mr. Hudson:

Q. You said the rate on apples going eastward was about double the rate going westward or three times. Well now, Mr. Lanigan or somebody who spoke on behalf of the C. P. R. said that there were not any apples moved westward nowadays. What is the explanation of that?—A. I gave a comparison of rates and if there is no movement of apples westward to-day it is because of the fact that British Columbia has driven eastern apples out of the prairie markets despite the difference in freight rates. That is the only possible explanation that can be given of that. Your rates show that discrimination. As to the rates given they were given as between certain specific places and varied from place to place in the percentage, but if there is no discrimination why not move them and put them down on the same basis, make the rates apply equally west as eastward.

Q. If there were no apples moving it would make no difference if there was any movement?—A. You would have to pay it.

Q. Do we on the prairie have to pay it?—A. Possibly part of it. It has the effect of reducing the returns of our fruit growers.

By Mr. McConica:

Q. What is your fruit land period out there now?—A. There is a vast difference of opinion about that but I did not come here prepared to argue that. I know that the fruit men are complaining their lands are assessed and Mr. MacKelvie will tell you, the representative of the fruit growing provinces, that their lives depend upon getting better rates.

Q. They wanted more money for the apples and we buy the apples?—A. What I say, if you are paying too much for the apples you will vote for a reduction of the rate so you will get them more reasonably.

Q. If you have, as I understand, a contract when you guaranteed the bonds of the C. N. R. sometime ago fixing the rate over that line would you be willing to scrap that along with the Crowsnest agreement?—A. My dear sir, the Parliament of Canada scrapped it for us without our consent. We were not given any chance to have a say. Just as this discussion has gone the way it has in regard to the cost of construction and the cost of operation in the mountains I have some figures here which might interest this Committee and I would be glad of this opportunity to spread them on the record.

By the Chairman:

Q. What point are you going to make now?—A. As justification for the discriminatory rates charged to British Columbia, that the cost of construction and the cost of operation was excessive as compared to other portions of the country.

Q. If you are going to answer that you might answer it as briefly as possible.

Mr. EULER: I think it is quite right we should have that. We have discussed other matters in connection with the question of rates. I think this is a very important question.

By Mr. Shaw:

Q. I think so too, if we can have that.—A. In British Columbia, Kamloops to Hope, the cost was \$133,563 per mile. This is through the Fraser river canyon, which

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is the most expensive construction on the whole line. In eastern Canada, Montreal to Ottawa, a distance of 111 miles as against 168 miles in the West, the cost was \$178,614 per mile; \$133,000 as against \$178,000.

The CHAIRMAN: There must be some terminal charges in that.—A. I will file this.

COSTS OF CONSTRUCTION ON C. N. RAILWAY—BRITISH COLUMBIA AND IN EASTERN CANADA.

	Distance	Cost per mile of line
	Miles	\$
British Columbia—Kamloops to Hope.....	168	133,563
Eastern Canada—Montreal to Ottawa.....	111	178,614
British Columbia—Hope to Fraser River Junction.....	77	51,544
Eastern Canada—Joliette to Garneau Junction.....	61.49	62,394
British Columbia—Fraser River Junction to Grandview, Man.....	1,381	55,572
Eastern Canada—Montreal to Winnipeg.....	1,451	59,313

Hon. Mr. MITCHELL: Are we going now to bring in evidence to contradict these statements? It is very important for us to bring in evidence on that. We are opening up, it seems to me, a field that is very much wider than we intended when we started.

The CHAIRMAN: I think so myself.

WITNESS: This evidence is already before the Board of Railway Commissioners and, as I say, if the Board of Railway Commissioners' report based on this evidence had been placed before this Committee the Committee would be in a fair position to look at it. I am here to fight for the rights of British Columbia.

The CHAIRMAN: Always keeping in mind that the chief issue of the Committee is whether or not the Crowsnest agreement shall be further suspended or come into operation in the course of—

WITNESS: I submit you cannot give that fair consideration until you know what the present conditions are and what the conditions are likely to be if the Crowsnest pass agreement is brought into effect.

The CHAIRMAN: I want to give Mr. Oliver every latitude. He has come a long distance.

Hon. Mr. MITCHELL: I quite understand that, but I think it is important we should make up our minds clearly as to how we are going to proceed. I understand the case Mr. Oliver is making out is a case as between British Columbia and the rest of Canada. That does not seem to me for the moment to be the issue that should be before the Committee. He may state in a general way and should be allowed to file a general list of commodities that show a discrimination as against British Columbia on account of the Crowsnest pass agreement but as to going into the question of discrimination against British Columbia in particular, it seems to me that that is going beyond the requirements of this Committee for the purpose of finding out as to whether this Crowsnest pass agreement should be suspended or not, and as a matter of fact all of these facts have been before the Railway Commission, as Mr. Oliver stated. The Railway Commission have it under advisement and are going to render a judgment on it and I don't think that is what we are here for.

WITNESS: My friend, I have had some little experience in that matter and I venture to say there never was a case where the question of the restoration or of the abrogation of an agreement was so widespread in its ramifications and its effects as is

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the present question, and I am endeavouring to show how it will effect British Columbia and it cannot be shown how it will affect British Columbia unless I can get those facts before the Committee.

Mr. EULER: Surely if the Crowsnest pass agreement if the rates under that agreement are going to have an effect on the whole rate structure, as is claimed by Mr. Oliver, then his arguments are pertinent to the question.

WITNESS: I am not making that claim originally. That was made by Mr. Beatty and Mr. Hanna and all the railroad officials and made much more emphatically than I have asserted it.

By the Chairman:

Q. What is the relevancy of some of the construction between British Columbia and Montreal?—A. The relevancy is that in considering any new rate structure this has to come into consideration. It is claimed by the railway companies this is a factor.

The CHAIRMAN: This Committee cannot go into that to decide what the freight rates should be in relation to the cost of construction. That is surely a matter for the Railway Board. We would never end if we got into that.

Hon. Mr. STEWART (*Lanark*): The point raised by Mr. Mitchell and by Mr. Euler raises the old question. This Committee was appointed to investigate transportation costs, having regard particularly to the Crowsnest pass agreement. Now as I understand, the resolution asks that the Committee is to investigate the costs of transportation, the costs and net earnings, costs of what is charged for transportation and if we are going to do that what Mr. Oliver suggests is surely pertinent and goes to the very root of the whole thing.

The CHAIRMAN: We have been endeavouring to get away from the literal reading of that resolution.

Hon. Mr. STEWART (*Lanark*): Surely we cannot get away from the order of reference. There are two costs in connection with transportation. One is the charge that is made to the shipper or consumer, and the other is the charge to the transportation company. Now as I understand it, I think that goes to the root of the whole matter. As I understand the matter, we are here to consider the costs of transportation, that is, the cost to the transportation companies of the commodities included in the Crowsnest pass agreement, and of other basic commodities, and we treat generally with the idea of arriving at some decision as to whether the Crowsnest agreement should be revived or not. The evidence before the Committee so far has been confined to the cost to the shipper or to the consignee of the freight, which so far as the evidence before the Committee thus far concerned, bears no relation to the cost of transporting it. It seems to me we must decide here what we are investigating, what transportation costs we have decided to investigate. There can be no difference of opinion on that if we are to judge by the resolution itself or by the discussion that took place in the House when the Committee was appointed and if we are here to consider only what that cost is to the transportation company, then surely we must go into the whole thing. Either that or the order of reference must be changed.

Hon. Mr. MACDONALD: I would move Mr. Oliver should be allowed to make his statement.

Hon. Mr. STEWART (*Lanark*): I will second that.

Motion agreed to.

WITNESS: I have already given you one instance. British Columbia—Hope to Fraser River Junction, \$51,544 per mile. Joliette to Garneau Junction—

Hon. Mr. MACDONALD: There is no good taking time to read all that. It will all be printed.

[Hon. Mr. Oliver.]

WITNESS: British Columbia. Fraser River to Grandview, 1,381 miles, \$55,572. Montreal to Winnipeg, 1,451 miles, \$59,313, showing the cost in eastern Canada construction had been higher than in British Columbia.

Q. Is that the cost of the mountain section construction?—A. That takes in mountain construction as well.

By the Chairman:

Q. Where do those figures come from?

Mr. McGEER, K.C.: They are taken from the C.N.R. figures supplied to the Board of Railway Commissioners during a recent hearing.

By Mr. Hudson:

Q. Is there any separation between the prairie section and the mountain section?

Mr. McGEER, K.C.: No.

By Hon. Mr. Manion:

Q. Is that something like an average?

Mr. McGEER, K.C.: It indicates that there are unquestionably pieces of construction in British Columbia that are high, but when you look at similar mileages in eastern Canada you find similar differences in the cost of construction, and you find, taking it on the whole, that the cost of construction from Vancouver to Winnipeg is not as great as the cost of construction from Montreal to Winnipeg. Now, the rates from Montreal to Winnipeg will range from possibly 30 per cent to 45 per cent higher than the rates from Vancouver to Winnipeg. So that upon that haulage there is no justification for a higher rate. If you will take a shorter distance in British Columbia where the cost of construction is high, there is no justification for a higher rate on that shorter mileage than there is upon a shorter mileage in eastern Canada.

By Mr. Hudson:

Q. Have you any figures on the cost of construction from say Fort William to Calgary?

Mr. McGEER, K.C.: I could get those. I think Mr. Symmington has them.

By Mr. Shaw:

Q. Can you give us the cost of construction from the Fraser River Junction to Edmonton and from Edmonton to Grand View?

Mr. McGEER, K.C.: It would show a comparison as between British Columbia and the prairies, but would show no comparison between the cost of construction in British Columbia and in Eastern Canada, where construction conditions are similar. While the rates complained of are the rates in British Columbia as compared with the rates in the prairies, the rates in British Columbia as compared with the rates from Eastern Canada to prairie points are also complained of.

By Hon. Mr. Crerar:

Q. Do those figures include the costs of securing terminal facilities?

Mr. McGEER, K.C.: Of course, that goes without saying. Your terminal costs in the East are very much higher than they are in the West.

By Hon. Mr. Crerar:

Q. Do you mean they are included?

Mr. McGEER, K.C.: No, that is the actual construction cost.

By Mr. Mitchell:

Q. How are those comparisons chosen?

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Mr. McGEER, K.C.: They are the figures used before the Board of Railway Commissioners to illustrate the different peculiarities of the cost of construction.

By Mr. Mitchell:

Q. At definite points?

Mr. McGEER, K.C.: Yes, and similar mileages.

The CHAIRMAN: The cost of constructing a railroad between here and Montreal on the south side of the St. Lawrence some years ago could not amount to \$100,000 a mile, apart from terminal charges.

By Hon. Mr. Stewart:

Q. What is it that increases the cost?

Mr. McGEER, K.C.: The cost of bridges is one factor in increasing the cost of construction, and the thing that runs up the cost of the C.N.R. is the tunnel under the mountain.

By Hon. Mr. Stewart:

Q. That is included in the \$178,000 odd?

Mr. McGEER, K.C.: It does not make any difference what brings it up, so long as the cost of construction is there.

The CHAIRMAN: That appears to me to be very technical reasoning, and I doubt very much whether the facts are either pertinent or useful. I think the farther we keep away from that kind of evidence, the better it will be. The original costs are of absolutely no use to us.

Proceed, Mr. Oliver, please.

WITNESS: I want to deal with another phase of this matter: British Columbia was the only province from which a huge land subsidy was exacted in aid of the construction of the Canadian Pacific Railway. That land subsidy given by British Columbia in connection with the main line of the Canadian Pacific Railway amounted to approximately 12,000,000 acres. I want to submit to this Committee the view that if there is any merit at all in the plea of the cost of construction, that has been entirely offset so far as British Columbia is concerned by the huge land grant which was given in aid of the construction of that road. That land grant was a strip of land 40 miles wide through the entire width of British Columbia, and any deficiencies were made up out of the prairie lands of the Peace River District of British Columbia,—3,500,000 acres.

By Mr. Euler:

Q. Does that apply to both roads?—A. No, to the C.P.R. alone.

By Mr. Mitchell:

Q. That was given in order to get the road put through?—A. Yes.

Q. There was no question of rates at that time?—A. I will put this question to the Committee—

Q. I just want to get the information?—A. If British Columbia had been told at that time that she would be charged double rates for the use of that road, she would never have given that land grant and would not have joined the Confederation.

Q. That is not an answer to my question. Was there, as a matter of fact, any question of rates at that time?—A. The rates at that time were defined in the Railway Act of Canada under which discrimination, if properly administered, was an impossibility.

Q. And you gave your subsidy to get the road through, and there was no question of rates other than the general law?—A. At that time, I believe that is correct.

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By Hon. Mr. Stewart:

Q. These figures you have given, are they taken from material placed before the Board of Railway Commissioners?—A. So I am advised.

Q. The only one you have given us that would affect Ontario, apparently, is the line from Montreal to Ottawa, in which the cost of construction was \$178,614 a mile. Was that taken because it was a fair estimate, or because it was the very peak?—A. I am not in a position to answer that question.

The CHAIRMAN: I think that is all right, Mr. Stewart.

WITNESS: I am advised by Mr. McGeer that we took the two pieces representing the highest cost of construction on the whole line, one on the Pacific Coast and one in the East.

By Hon. Mr. Stewart:

Q. I suppose you know the tunnel at Montreal was part of a subdivision scheme for the selling of lands back of the mountain?—A. I am quite aware that all railway companies have had many subsidiary companies which affect the roads.

The CHAIRMAN: Proceed, Mr. Oliver.

By Mr. Macdonald:

Q. Did British Columbia give any land grant in connection with the construction of the Crowsnest pass road?—A. I will come to that in a moment.

Q. That is very pertinent?—A. In addition to approximately 12,000,000 acres given in connection with the main line of the Canadian Pacific Railway, British Columbia gave to the E. & N. Railway, which was part of the terms of the Settlement Bill of 1884, approximately 1,800,000 acres of land on Vancouver Island, including the coal lands and also the finest timber on the continent of America. That land also included the base metals in that area, and the base and precious metals are mixed to such an extent that the precious metals cannot be mined to-day in all that strip without the consent of the Canadian Pacific Railway. The fact is that on Vancouver Island we gave 1,800,000 acres of land, including the coal, timber and minerals, in aid of a railway that we are being charged exorbitant rates on the ground that the cost of construction or the cost of operation was high.

In regard to the Crowsnest pass road, the cash subsidy given by the Dominion Government was a mere bagatelle. British Columbia gave 3,755,733 acres of land, including the picked coal lands of the Crowsnest pass and I want to explain to this Committee that the railway company picked the initial block of land. They were to have alternate blocks. They took in the coal fields of the Crowsnest pass right up the river north of the Elk railway so as to embrace every acre of coal land in that initial block. That was given by way of subsidy to the British Columbia Southern Railway. The Canadian Pacific Railway acquired the charter of the British Columbia Southern Railway and acquired its land grant, and if you will turn to the Crowsnest pass agreement you will find there some reference to these lands in paragraphs (h) and (i). These paragraphs are to the effect that if the Canadian Pacific Railway Company acquires any lands by way of subsidy from the Government of British Columbia, which they could only acquire through the buying up of the British Columbia Southern Railway charter, fifty thousand acres of coal lands were to be set aside and held by the Dominion Government for the purpose of securing a sufficient and suitable supply of coal to the public at reasonable prices, not exceeding \$2 per ton of 2,000 pounds free on board cars at the mines. You will find that embodied in this agreement. It may be argued that these lands were of very little value. I want to quote from some evidence given by Sir Thomas Shaughnessy on that point. In 1903 we had an investigation in British Columbia regarding the coal lands in the Crowsnest pass, and speaking of the value of these lands and of the fact that his company had transferred 250,000 acres of these coal lands to the Crowsnest Pass Coal Company, Sir Thomas Shaughnessy made

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this statement: "I do not think we had a very high opinion of their value or we would not have parted with 250,000 acres of them quite unnecessarily." Then Mr. Duff asked this question: "And you think that the only reason you parted with these lands to the coal company was because you did not regard them of any great value?" And the answer was: "Certainly not of the value that is now attempted to place upon them, because they are placed at a value so infinitely beyond the railway itself that we would hardly have allowed them to get out of our possession." The Parliament of Canada, in making this very agreement which I have in my hand, recognized the value of these coal lands and stipulated in this agreement that coal was to be sold on the cars at the pit-mouth for \$2 a ton. This is a very important part of this agreement, and I want this Committee to understand that they are dealing with more than freight rates when they propose to deal with this agreement. What are you going to do with this provision in regard to the protection of the public in the matter of coal? Are you going to abrogate that at the same time?

By Mr. Macdonald:

Q. What do you suggest?—A. I suggest that the Committee give very careful consideration to this whole matter. I think I am carrying out my duty when I place these things before this Committee for their consideration.

Q. You would not go farther than to simply recommend our careful consideration?—A. Possibly I may, before I get through.

By Mr. Hudson:

Q. On the point with which you are now dealing, the total land grant was 3,500,000 acres, was it?—A. I refer to a statute later passed dealing with the lands, in which it is stated that the lands deeded under that agreement amounted to 3,755,733 acres.

Q. That was an agreement originally made with the B.C. Southern Railway?—A. Yes.

Q. Was that railway started before the C.P.R. acquired it?—A. No; it was just a paper company.

Q. With a right to these lands in the event of their building the railway?—A. Yes.

Q. And the C.P.R. acquired that?—A. Yes.

Q. What proportion of this 3,700,000 acres would be of value? I suppose some of it was mountainous and of no value but there was some of it coal and some of it agriculture and fruit lands?—A. Some coal, some timber and some agricultural. I could not answer that off-hand.

Q. What was the extent of the coal area as far as you know?—A, I could not answer that. Coal areas, as you know, are largely estimated.

By the Chairman:

Q. It was a maximum on coal areas to be controlled and operated by the Government?—A. I do not read that that way. (Reads)

"The said 50,000 acres to be selected by the government in such fair and equitable manner as will be determined by the Governor in Council to be disposed of or otherwise dealt with by the government as may be prescribed by the Governor in Council for the purpose of securing sufficient and suitable supply of coal to the public at reasonable prices, not exceeding \$2.00 a ton of 2,000 pounds."

If you will refer back to the debates of the House of Commons at the time this agreement was under consideration I feel sure that you will find it there laid down that the Crowsnest Pass Coal Company was to sell their coal at \$2.00 per ton, which I am credibly informed they did for many years.

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Q. But it has not been obeyed lately?—A. I think not. The present position, as I take it, taking it from the liberal wording of the agreement, is this: That the Dominion Government controls 50,000 acres of land there, under which they have agreed and stipulated that they will use for the purpose of seeing that the public gets coal at \$2,00 a ton on the car."

By the Chairman:

Q. That would be a pretty good reason why one part of the agreement should be revoked, because they could not mine coal at that figure?—A. That is so. Simply because you cannot mine coal at \$2 a ton to-day are you going to wipe that out altogether? If you are, then I say to this Committee that if the assignees of the British Columbia Southern Railway Company are not prepared to live up to the conditions or live up to conditions that can be reasonable or equitable then let them hand us back what we gave them if they refuse the conditions. Is not that a fair condition?

By Mr. Macdonald:

Q. We thought you wanted the Crowsnest agreement abrogated?—A. I don't want it abrogated conditionally.

Q. Why don't you give us what you do want?—A. I presume to present my position in my own way.

Q. You are not altogether above this Committee. What we want to know is clearly what your views are.—A. I have already said that the Committee should have their attention drawn to these facts so that they would not deal with this agreement in ignorance of the facts I am now putting before them.

Q. Surely you have some suggestions about it?—A. If my friend wants a suggestion, if there are changed conditions in regard to the mining of coal the same as there are in carrying freight, we are broad-minded enough, and I think my friend is broad-minded enough to realize that an equitable adjustment of the conditions is the proper thing, not wiping out absolutely, because as conditions have changed in the last few years, they can change in a few years to come and a revision to fit these present day conditions might not fit conditions two or three years from now.

Q. What is the name of the road that got that charter originally?—A. The British Columbia Southern.

Q. When was that given, do you remember?—A. It was given in the early eighties under the Crowsnest Pass Railway Company and finally, in 1898, and in 1888 or 1890, the former Act was cancelled and the whole thing turned over to the B.C. Southern, a company called the B. C. Southern Railway.

Q. When did the Canadian Pacific Railway acquire it?—A. I should say immediately prior to the date of this Agreement, possibly 1896 or '97. I cannot state positively.

Q. So their charter was for many years lying idle with all these concessions attached to it?—A. The charter was not operated on for a number of years. In fact it may not have been operated on yet, had it not been for the discovery of the metalliferous ore bodies at Rossland, Greenwood and Kaslo, and that eventually led to the erection of the smelter at Trail. Now I want to come back to the question of subsidies. I say we give that land grant to the Crowsnest Pass. That was not all. The Crowsnest Pass road only went to Kootenay lake. It was necessary to have it extended westward. We gave 2,541,000 acres for the purpose of extension to the C.P.R. under the name of the Columbia and Western Railway Company. When the road was extended west we gave \$250,000 of a cash subsidy for building through the Coquahalla Pass. We gave \$200,000 in cash for the construction of a bridge across the river at Hope. The Slocan Railway, acquired by the C.P.R. gives the province a little over \$300,000 paid out under guarantees and interest. The

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Inlet and Slocan road was acquired by the province and handed over to the C.P.R. for a consideration of \$25,000 and a further subsidy of \$100,000 given to them to make it a standard gauge road, but what I want to point out to the Committee is this: if there is any merit in the contention whatever, which I deny, that because of cost of construction in British Columbia and the cost of operation in British Columbia, if we are to be taxed excessively on that account they return these subsidies to us which we gave as an aid or as an offset to this cost of construction.

Q. You gave aid in order to get them built without any conditions?—A. We did not give it without conditions but the condition was that the Lieutenant-Governor in Council was to have control of the rates and the Parliament of Canada simply declared this to be to the general aid of Canada with the result, rightly or wrongly, that the control of the rates has been taken away from us by the Parliament of Canada.

By the Chairman:

Q. I hope they won't take away your liquor privileges the same way.—A. I believe the consensus of opinion would be that it should be declared for the benefit of Canada. The Dominion has taken that away from us. Now I don't want to occupy you too long and to weary you. In addition to that we gave exemptions of taxation and one of our complaints is that the Dominion by legislation without any consideration of our interests as far as British Columbia is concerned, has rendered inoperative and ineffective these immense grants of land, many of them given towards the construction of these lines of railway.

By Hon. Mr. Mitchell:

Q. You mean by putting the whole rate system under the Railway Commission?—A. Yes.

Q. Has the Dominion taken over any guarantees which British Columbia has given on any other railways?—A. The Dominion Government has assumed the obligation of the Canadian Northern.

By Hon. Mr. Manion:

Q. How much does it amount to?—A. I believe it would amount to about \$40,000,000.

Q. That would cover a great many of those you gave in the smaller amounts?—A. Is not British Columbia paying for these as well as the rest of Canada.

Q. Its share.—A. Its share and more than its share. More than its share. Let me point out to my friend now that he has raised the point, as Premier of British Columbia I come to the Government of Canada and I state you have taken away any control which we have over the rates of the Canadian Northern on account of our guarantees, relieve us of that responsibility, and they have not done it.

Q. We want all the facts, not just one side of it.—A. I want you to have them all. I want to say to this committee in that respect, if at any time the Dominion Parliament hands back that road to a company, which they can do, there is nothing to prevent that obligation of ours becoming operative again. We are not relieved from that guarantee.

By the Chairman:

Q. Not by agreement or statute?—A. Not by the agreement at the present time. It is not operative against us.

WITNESS: I want to deal with another phase of this matter, so far as British Columbia is concerned. I want to raise the question of our terms of union with Canada.

By Mr. Shaw:

Q. Before you proceed I would like to ask a question: You say that the C.P.R. initiated the application to have the railways of British Columbia, or part of them,

[Hon. Mr. Oliver.]

brought under the Railway Commission so far as rates are concerned? Is that correct?—A. I will give you an instance. I have not every case at hand. I checked that up particularly in regard to the B. C. Southern Railway, and in the Statutes of the Dominion of Canada it recited that the B. C. Southern Railway Company applies to have its road declared a road for the general advantage of Canada.

By Hon. Mr. Mitchell:

Q. You mean that the applications of these different railways were made to have their roads declared for the general advantage of Canada. You do not mean that the C.P.R. made application to have the Railway Commission established to regulate the freight rates and take that road away from British Columbia by Order in Council?—A. No; but I say that the common acceptance of the effect of declaring it for the general advantages of Canada is to take it away from provincial control.

Q. To take it from your jurisdiction and put it under the Dominion jurisdiction by Order in Council?—A. Yes.

By Mr. Shaw:

Q. Did British Columbia object to that procedure?—A. I cannot say offhand, but that is the effect of it.

The Committee adjourned at 1.03 o'clock p.m. until 4.00 o'clock p.m.

AFTERNOON SESSION

The Committee resumed at 4 o'clock p.m., the Chairman, the Hon. A. K. Maclean, presiding.

The CHAIRMAN: Mr. Oliver will resume his statement.

HON. JOHN OLIVER: Mr. Chairman and gentlemen of the Committee, just before the adjournment some question was asked in regard to the question of construction and of operation. A statement was filed showing the cost of construction, and I would like to file a statement showing the relative cost of operation.

Statement filed as follows:

STATEMENT SHOWING OPERATING COSTS, C.P.R., PER MILE OF LINE.

	1912	1915	1917	1920	1921
	\$	\$	\$	\$	\$
British Columbia.....	8,346	5,328	6,277	12,277	9,971
New Brunswick.....	4,801	4,202	7,456	12,455	11,022
British Columbia.....	8,346	5,328	6,277	12,277	9,971
Quebec.....	7,484	6,888	11,409	20,922	18,616
British Columbia.....	8,346	5,328	6,277	12,277	9,971
Lines East.....	7,103	4,574	7,619	17,877	15,307
British Columbia.....	8,346	5,328	6,277	12,277	9,971
All Lines.....	7,112	5,279	8,148	14,121	12,223
British Columbia.....	8,346	5,328	6,277	12,277	9,971
Manitoba.....	6,890	4,574	7,619	12,065	10,720

(Taken from Exhibits 32 and 67, Pacific Railway Rates Case).

FREIGHT AND MIXED TRAIN MILES IN THOUSANDS.

	New Brunswick	Quebec	British Columbia
1912.....	1,602	3,488	1,862
1920.....	1,375	3,093	2,086

(See Page 3, No. 32, Pacific Freight Rates Case).

COSTS PER CAR MILE, 1917 TO 1921.

	1917	1920	1921
New Brunswick.....	.136	.270	.261
Quebec.....	.132	.247	.268
British Columbia.....	.112	.215	.232

(See Exhibit 67, Page 298, Volume 3 of Exhibits).

PER GROSS TON MILE.

	1917	1920	1921
New Brunswick.....	.00362	.00693	.00659
Quebec.....	.00341	.00612	.00662
British Columbia.....	.00282	.00521	.00552

(See Exhibit 67, Page 299, Volume 3 of Exhibits).

I wish Mr. Chairman and gentlemen to show that the discriminatory rates which we have been complaining of are contrary to the terms of union.

By Hon. Mr. Crerar:

Q. Before you proceed with that, Mr. Oliver, what is this statement of operating costs based upon? Where is your information taken from?—A. It is taken from exhibits filed with the Board of Railway Commissioners. I may say that practically all the information we have filed this morning in the way of exhibits is from the same source.

By Mr. McConica:

Q. They are exhibits which your counsel filed?—A. Some of them, and some of them are from other sources.

Mr. McGEER, K.C.: If I may be permitted to answer, during the course of the proceedings before the Board of Railway Commissioners certain information was requested to be furnished by the railway companies. That information was filed with the Board of Railway Commissioners, and then certain compilations from that information were prepared by the rate and traffic men acting for British Columbia. These are statements that were made before the Board of Railway Commissioners; there is no variation in any way; and they are all taken from the figures furnished by the railway companies. If there is anything wrong, I am sure the railway companies will correct it. I can assure the Committee that outside of any minor errors they are the figures of the railway companies.

[Hon. Mr. Oliver.]

By Hon. Mr. Stewart:

Q. They were figures compiled by the experts for British Columbia?

Mr. McGEER: Yes. This statement shows the operating costs per mile on the C. P. R. I may tell the Committee further that there is no divisional information available on the Canadian Northern system at all. Their information is purely a matter of lines east and lines west, with Fort William as the dividing line. The information available from the C. P. R., so far as operating costs go, is available for the eight operating divisions, four in the West and four in the East.

By Mr. McConica:

Q. Is this tonnage.

Mr. McGEER: It is costs in dollars per mile of line.

Q. Per year?

Mr. McGEER: Per year for the years mentioned there.

Q. It does not take into consideration the amount of movement?

— Mr. McGEER: If you look at the exhibit you will see that in 1912 it gives the relative costs of operation per mile in British Columbia and New Brunswick, then in British Columbia and Quebec; next in British Columbia and all lines east, next in British Columbia and all lines and, finally, British Columbia and Manitoba. Below you will see the freight and mixed train miles in thousands which were carried over the New Brunswick, Quebec and British Columbia lines in what are two relative years, 1912 and 1920, and that increase with the volume of tonnage handled in its relationship to these divisions was greater in British Columbia in 1920 than it was in 1912, although you will notice that the costs of operation per mile of line have increased in some instances to more than three times the amount it was before.

By Mr. Mitchell:

Q. It does not give the volume of business?

Mr. McGEER: The volume of business according to these figures has been reduced. In any event whether the mixed train miles moving over the division is a fair indication of the absolute correctness of the position, it is an indication that the great difference in the operating costs was not caused by the change in the volume of traffic.

Hon. Mr. OLIVER: On Friday I distributed copies of this memorandum which I have in my hand.

By Hon. Mr. Crerar:

Q. Before Mr. Oliver proceeds I would like a little clearer explanation of these figures. Taking 1912, the cost is \$8,346 in British Columbia and \$4,801 in New Brunswick. But these figures are meaningless unless you have the volume of traffic or business done. Supposing each mile in British Columbia carried three times the volume of traffic that each mile in New Brunswick did. These figures are rather unintelligible I think as they stand.

Mr. McGEER: As I pointed out in the second part of the statement, you will see that in 1912 New Brunswick had 1,602 thousands freight and mixed train miles and British Columbia had 1,862 thousands freight and mixed train miles. In 1920 the operating costs in New Brunswick was \$12,455 per mile, and the tonnage in New Brunswick was 1,375 thousands mixed and freight train miles. In British Columbia the freight and mixed train miles were 2,086 thousands. So if it was tonnage, or if it was an increase in the volume of freight that had changed the operation expenses to that extent, it would be shown in mixed and freight train miles. But the increase is in British Columbia. You will notice that there is a greater volume in British Columbia to-day than there was in 1912, although your operating cost has swung completely round as regards Quebec.

[Hon. Mr. Oliver.]

By Mr. Euler:

Q. I notice that there has been nothing submitted with regard to Ontario, either with regard to construction or operation costs.

Mr. McGEER: We can furnish figures for practically all the divisions, but there is a variety of circumstances which attend the traffic conditions; and what we submitted to the Board of Railway Commissioners was that British Columbia is a terminal division and if you are going to make a comparison as between the varying conditions in British Columbia and other divisions, you should make a comparison with a division which is also a terminal division. That is the Maritime divisions on the Pacific Coast are comparable with the Maritime divisions on the Atlantic Coast, and if there is anything peculiar to operating conditions in British Columbia that would indicate that, that is that comparison where your conditions are the same would indicate if there is anything peculiar to a mountain division, which we submit there is not.

By the Chairman:

Q. Well now, let Mr. Oliver proceed. The less statistics or tables of that kind we have, the better. I assume these are prepared in support of disapproval of a case which somebody is setting up and figures are so very easily made up, I am afraid if we get into this phase of the case very far, we will be all at sea.

Mr. McGEER: That is why I want to confine it to the general figures. I think they are easily understood.

WITNESS: I wish to direct your attention to the terms of Union in which British Columbia joined Confederation. When you study this memorandum with which you have been furnished, that the Union with British Columbia was inaugurated or suggested by the Dominion Government in a despatch from Earl Granville to Governor Musgrave in August, 1869, you will see that the terms of union were consummated in 1871, as you all know, but I want to refer to some papers in existence to show the reasons advanced and Earl Granville in this respect recited what are the conditions which render union advisable. He says (reads)

"Most especially it is true in the case of internal transit. It is evidenced that the establishment of a British line of communication between the Atlantic and Pacific Oceans is far more feasible by the operation of a single Government, responsible for the progress of both shores of the continent than by a bargain negotiated between separate, perhaps in some respects, rival Governments and Legislatures. The San Francisco of British North America would, under these circumstances, hold a greater commercial and political position than would be attainable by the Capital of the isolated colony of British Columbia." I say that this statement is absolutely incompatible and irreconcilable with the condition that exists today and with the attempt that has been made to divide the transcontinental systems and the transportation systems of Canada into sections, divide them by provincial boundary as is the case at the present time, so as I say when you are attempting to divide this transportation system by provincial boundaries, you are setting up a condition which the Imperial Government recited in that despatch as being undesirable. Then I come to the terms of union themselves. I have already referred to the immense land grant that was given by the Government of British Columbia in aid of the construction of the Canadian Pacific Railway. You will find that it is recited there that this grant is given in consideration of aid in construction of the said railway. I have already drawn your attention to the fact that British Columbia was the only province which was required to contribute a huge land grant in aid of the construction of the Canadian Pacific line of railway. I also draw your attention to the words used by Earl Granville, in which he says and stresses the fact, that it is to be the operations of a single government responsible for the progress of both shores of the continent; yet today we have a condition set up by legislation that is diametrically opposed to that condition there

[Hon. Mr. Oliver.]

laid down. Then I want to read another extract from the terms of union, which reads as follows (reads)

"Whereas the construction of a line of railway through British territory, across the continent of North America, which, in conjunction of existing railways, would afford uninterrupted railway communication between the Atlantic and Pacific seaports of the Dominion of Canada is a work of vast importance, not only to the political and commercial interests of Canada, as tending to the closer union of its several provinces, but also to the British Empire at large, as affording rapid and direct communication through British territory, Australian and Asiatic possessions and opening up for colonization an almost unlimited extent of fertile country; and whereas the person hereinafter named have formed themselves into an association for the purpose of constructing the said line of railway, and have prayed by petition to be incorporated as a company, and to be invested with the powers necessary for the purpose, and it is expedient to grant the prayer of their petition." I direct the attention of the Committee that here was a dual purpose. One was for the closer union of the different provinces and yet a condition has been set up which is asking in the course of time to disrupt this union of the provinces of Canada on account of the discrimination that has been exercised between the different sections of the country, but I would also stress very largely the position that this was an imperial project designed to secure more rapid and direct communication between Great Britain and her Asiatic possessions. What is the effect today, which I will refer to later on. The Canadian Pacific Railway is boasting that it has the most rapid communication across the continent or that it is built to take cargoes of silk from China or Japan and transport those types across the Pacific Ocean, transport them across the continent and deliver the product to the city of New York, or on board ship for European ports, in a much less time than any other transportation system. My object in placing that before you is to show you whether in your judgment it is fair that because a railway is important and its importance, that British Columbia should be saddled at and with carrying the construction and operation of that railroad over the continent. I am going to ask you to decide, to appeal to your sense of fairness and to show me of justice if that should be the case. Some mention was made this morning of the discrimination which existed when British Columbia gave those subsidies to the railways which I mentioned this morning. This memorandum which was prepared to be placed in your hands emphasizes the fact that the Railway Act, as it was at that time, at the time of the terms of union, and as at the time of the formation of the Canadian Pacific Railway prohibited, if given a fair interpretation, prohibited discriminatory rates in any locality or against any person or corporation. Now we had a great deal of trouble in British Columbia over those terms of union from 1871 to 1874. It was a continual turmoil. The Dominion of Canada never observed the terms of union and British Columbia was forced by appeal to the Imperial Government to force the Dominion of Canada to observe the terms of union and I just want you to bear in mind that we are fast approaching the time when another appeal to the Imperial Government may be necessary in connection with those transportation rates. I can assure you that British Columbia is not going to rest under present conditions no matter what the consequence may be and I am saying that advisedly. Now I want to say a word or two in regard again to the question of the cost of construction and that brings up the question of the change of route. When the agreement was made with the C.P.R., it was well known that the present Yellow Head route existed, because that route was named as the route over which the Canadian Pacific Railway was to be built, as there are no mountain grades on that route through British Columbia, and I speak advisedly; there is not a single mile of mountain grade in British Columbia over the route now traversed by the Canadian National Railways and this was the route specified when the C.P.R. was incorporated. I can only imagine one reason why

[Hon. Mr. Oliver.]

asked. From Vancouver especially this criticism presented itself, where by reason of the *discriminatory operations of the Canadian Pacific and Great Northern Railways* a general feeling has been not unnaturally developed that before British Columbia should consent to endorse these proposals, which amounted really to the endorsement by the province of the company's note for forty millions of dollars, that there should be substantial guarantee of that competition which would give the province lower rates. And that is precisely what we have here. On the day of the election he had said that British Columbia would have the same control over the rates to be charged by the Canadian Northern as had been arranged for and was exercised by Manitoba. This promise is more than redeemed in the Bill before the House."

This bears out what I have said, that whatever the legal interpretation might be, the people of British Columbia were induced to support that road to the extent of forty million dollars for the purpose of securing lower rates of transportation to the people of this province.

"The protective section that we have in this Bill is much wider—it goes much farther than the people of Manitoba have got under the arrangement made by the Government of that province with the Canadian Northern.

Then further on:—

"This control of rates does not terminate at the boundary of this province; it is not confined to local traffic. It extends to traffic originating outside of British Columbia, or destined to points outside of British Columbia. The Government will have the right to deal with all traffic, whether local or through. It will thus be in a position to give the amplest protection to the producers and merchants of the province who will do business in other provinces. It will give our business men the same right to participate in the material prosperity of Alberta and Saskatchewan that is enjoyed by the merchants of Eastern Canada at the present time. That is one thing we have aimed at and we have succeeded in doing."

I am reading these extracts in order to show you the manner in which the province of British Columbia resented the discriminatory rates imposed upon them by the Canadian Pacific Railway apparently with the approval of the Board of Railway Commissioners. They were prepared to go to the extent of guaranteeing practically \$48,000,000 in order to get away from those discriminatory rates.

By Mr. Mitchell:

Q. Are you using that as an argument in favour of or against the suspension of the Crowsnest pass agreement?—A. I am dealing with the whole rate situation, which is involved with the suspension or retention of the Crowsnest pass agreement. I am reading from this memorandum extracts which I think should receive your consideration in dealing with the question.

Q. As a general freight situation?—A. As a general situation relative to transportation rates.

By Mr. Hudson:

Q. If I am not anticipating something you are going to say, I would like to know if the British Columbia Government ever did in fact exercise control over the Canadian Northern rates?—A. I think not; I do not think they ever had the opportunity.

Mr. McGEER, K.C.: The road was not completed before the Act was passed.

By Mr. Hudson:

Q. I would like to have information on that point?—A. As far as I know, they did not. I would have to make inquiries in order to ascertain that, but I think I have the answer right here.

[Hon. Mr. Oliver.]

By Mr. Macdonald:

Q. What year was it taken over by the Government?

Mr. McGEER, K.C.: 1914. The Western Rates judgment was written in 1914, and in the final argument of Mr. McPhillips, who appeared for the Provincial Government, it was laid down that the Board of Railway Commissioners had no control of rates at that time; but it was all done in the same year, 1914.

By Mr. Macdonald:

Q. But the railway with which you made the bargain was going into liquidation if the Dominion Government had not taken it over?—A. What I am endeavouring to prove, by reciting these extracts is the strong feeling of resentment in British Columbia against the discriminatory rates then in force, and the length to which they were prepared to go in order to get away from those discriminatory rates.

By the Chairman:

Q. I do not think you need elaborate upon that. Your own statement is just as good as a score of others?—A. I find here that by chapter 20, section 15, subsection (4), Statutes of Canada, 1914, the Canadian Northern Pacific was declared to be a work for the general benefit of Canada. That declaration was passed before the road was complete or in operation; so that British Columbia never had the opportunity of exercising control of rates.

By Mr. McConica:

Q. Did they ever pay any part of the \$48,000,000?—A. Yes, as part of the Dominion Government, but not separately as a province. I have here some extracts from the proceedings of the Board of Railway Commissioners at that time. The Chief Commissioner says:—

“The Chief Commissioner: You have in your hand the fixing of the rates on the Canadian Northern. That is built on a local charter and is in your hands.

“Mr. Phippen: That is so, with certain limitations. You have to take the interests of the road into consideration.

“The Assistant Commissioner: The Canadian Northern Pacific is not in our jurisdiction.

“Mr. Phippen: The Province made a stipulation that it should never be under the jurisdiction of the Board.”

By Mr. Macdonald:

Q. It was perfectly clear that the Railway Commission had nothing to do with the rates previous to 1914?—A. Then I may take it there is no use labouring that any further. If I have the Committee with me, I will pass on.

By Mr. Hudson:

Q. Let us get that clear. You say that until some time in 1914 you had the right to control rates on that railway, but in 1914 the Dominion Government passed an Act declaring the Canadian Northern British Columbia lines to be works for the general advantage of Canada and gave the Board of Railway Commissioners control over your rates irrespective of your agreement?—A. I say that that is the generally accepted interpretation of the effect of it. I think that that position may legitimately be disputed. I pass no opinion on that, because I do not want to settle the case of the Supreme Court for them here before this tribunal.

Q. Is that question now in litigation or under dispute?—A. Not as between the Province of British Columbia and the railway, although it may be in Manitoba if successful in their suit; I understand they have already raised that question.

[Hon. Mr. Oliver.]

By Mr. Euler:

Q. As a matter of fact, did the Railway Board ever intervene with regard to rates after 1914?—A. I think not; they did not intervene before 1914.

Q. They had no authority before?—A. No.

Q. But I think you stated this was declared to be for the general advantage of Canada in 1914?—A. Yes.

Q. Is it proven that the Railway Board ever took any action after 1914?—A. They have acted continuously.

Q. I could not understand why you said that might be a matter of opinion?—

A. The matter of opinion to which I referred was whether the declaration that it was for the general advantage of Canada superseded any agreement between the province and the railway company.

By Mr. Mitchell:

Q. A private agreement?—A. An agreement on the part of the Crown.

By Mr. Hudson:

Q. My reason for interposing—and I hope I am not taking up the time uselessly—is this, that the clause with which we have to deal, Section 325 of the Railway Act, if the proviso is removed, would affect your rights under your agreement as well as the Crowsnest pass agreement or any other contract made with the province. It might deprive you of a possible right?—A. That is quite true. Of course, in respect to that, we take the position that that agreement is rather out of date, and something more just and equitable both to the people and the railway company should take its place. I have mentioned about the building over the top of the mountains, and stated that between the Yellowhead and the Coast seven-tenths of one per cent is the highest grade there is on that road; there is not a single mile of mountain grade on the main line in British Columbia. I do not think sufficient reason is furnished for penalizing British Columbia for all time to come in the choice of the C.P.R. to build over the top of the mountains so that they could get to Vancouver half a day quicker in order to secure the silk trade from the Orient or to serve Imperial interests.

By Mr. Macdonald:

Q. Did your province guarantee \$1,000,000 worth of bonds, and are they outstanding?—A. I think the amount outstanding of bonds guaranteed by the province is approximately \$40,000,000.

Q. And the Dominion Government is paying the interest, and therefore the guarantee is of no consequence?—A. As a semi-professional and not a full-fledged lawyer, I do not agree with you.

Q. Who is paying the interest?—A. The Dominion Government is paying the interest now; we have paid none so far.

By the Chairman:

Q. You mean if Canada becomes bankrupt, it may have to fall back upon British Columbia?—A. There is another possibility which I mentioned this morning, that Canada at some time may turn over this railway to a company again.

Mr. EULER: No, no.

The CHAIRMAN: There is a contingent liability there, I suppose.

By Mr. Macdonald:

Q. I just want to know the facts.—A. The facts are that I have gone to the Government of Canada and asked them to specifically relieve us from that liability, and they have refused. Surely that ought to be worthy of the consideration of the Committee.

Q. You should not be keeping that in the dark.—A. I made that statement this morning, Mr. Macdonald, but I will again repeat it if it is necessary.

[Hon. Mr. Oliver.]

By Mr. McConica:

Q. But does not their responsibility come in ahead of yours? Will not their resources have to be exhausted before you can be called upon?—A. I am a farmer and not a politician, but I could evade that issue if I wanted to by transferring the ownership of that road to a corporation when the guarantees of the province would again become effective.

Q. But would that relieve the Dominion Government from its obligation to protect you?—A. The Dominion Government is under no statutory obligation to protect us, so far as I know.

The CHAIRMAN: That is sufficient on that point, Mr. Oliver.

WITNESS: Now, Mr. Chairman, I have endeavoured to represent that certain costs of construction—and I do not want to appear to take advantage of the Committee in placing anything before it—

Hon. Mr. STEWART: I presume that the statement from which Mr. Oliver is reading will be embodied in the proceedings.

The CHAIRMAN: He has distributed copies of that memorandum.

Hon. Mr. STEWART: Should we not have it on record for reference?

The CHAIRMAN: I think he has read from it sufficiently. All the members have a copy of the book.

Hon. Mr. OLIVER: May I make a request at this stage? I think that this memorandum which I hold in my hand is very important, and I would ask permission to place it on record as one of the exhibits in this case.

Hon. Mr. MANION: I think you read the whole of it. There were only four items in it.

Hon. Mr. OLIVER: No this (referring to printed memorandum) is what I am referring to.

Hon. Mr. STEWART: I think it should be placed as an exhibit. It is a very interesting historical account of the position which British Columbia takes.

Hon. Mr. OLIVER: I have been relying very largely on that being made a matter of record, and I would ask that that be done.

The CHAIRMAN: We will deal with it at the end of the meeting.

Hon. Mr. STEWART: It ought to go in now.

The CHAIRMAN: There are about ten printed pages. Is it the wish of the Committee that this be printed as part of the evidence?

Mr. MITCHELL: It depends upon what is in it.

Mr. McGEER: It is a submission of British Columbia, no matter what is in it. Memorandum filed as part of the record as follows:—

MEMORANDUM OF CLAIMS

VICTORIA, B.C., March, 1922.

To the Honourable WM. L. MCKENZIE KING,
Premier of Canada.

SIR,—Pursuant to your permission, I am submitting herewith my views in support of the request for the removal of the discriminatory freight rates from which the Province of British Columbia has been suffering for years. In doing so I am speaking on behalf of the people of this Province, and demand, as a matter of right, the removal of these discriminatory rates. I put this matter before you as a matter of treaty right, a right under an agreement as between the Province of British Columbia and the Dominion of Canada.

[Hon. Mr. Oliver.]

To present the full facts it is necessary to go back to Crown Colony days. The preamble of the "British North America Act" of 1867 sets out that the Provinces of Canada, Nova Scotia, and New Brunswick desired to be united with a Constitution similar in principle to that of the United Kingdom, and that such a union would conduce to the welfare of the Provinces and of the British Empire. The dominating influence was that confederation was necessary to the Empire as a whole, and provision was made for the admission of other parts of British North America into the union. Throughout the negotiations British Empire interests were in the most prominent, if not dominating, position of any of the questions discussed and resolved at that time.

With particular regard to the case of British Columbia, I would refer you to a despatch from the Colonial Secretary, Earl Granville, to Governor Musgrave, of British Columbia, dated at Downing Street, August 14th, 1869. (*See British Columbia Sessional Papers, 1875.*) In this despatch Earl Granville, after advising that terms had been agreed upon for Prince Rupert Land and the Northwest Territories to be united to Canada, and that probably an Order in Council would be signed by the Queen, incorporating in the Dominion of Canada all British possessions in North America except British Columbia, expressed the opinion of Her Majesty's Government in these words:—

"That the interests of every Province of British North America will be more advanced by enabling the wealth, credit, and intelligence of the whole to be brought to bear on every part than by encouraging each in the contracted policy of taking care of itself, possibly at the expense of its neighbour."

The above quotation contains the spirit of equality, of uniformity, and of union. It is the official invitation to British Columbia from the Imperial Government to unite with Canada and become one part of a harmonious whole. A very important consideration, showing as it does that the union of British Columbia with the other Provinces of Canada was not purely a British Columbia or a Canadian question, but was one of considerable imperial importance.

It is the violation of this spirit of unity which has brought about the unjust conditions which we are now requesting you to remove.

The inducement offered by the Imperial Government to British Columbia to join confederation is contained in the following quotation from the said despatch of Earl Granville:—

"Most especially is this true in the case of internal transit. It is evident that the establishment of a British line of communication between the Atlantic and the Pacific oceans is far more feasible by the operation of a single Government, responsible for the progress of both shores of the continent, than by a bargain negotiated between separate, perhaps in some respects rival, Governments and Legislatures. The San Francisco of British North America would, under these circumstances, hold a greater commercial and political position than would be attainable by the capital of the isolated Colony of British Columbia."

The Government of Canada was to be responsible for the progress of both shores of the continent, and it is submitted that this language is only capable of one interpretation—namely, that there shall be absolute equality of treatment. If each part was to carry the burden of its local conditions the advantages outlined in Earl Granville's despatch would be impossible of attainment. By the discriminatory rates of which we complain, we are deprived, at least in part, of that greater commercial and political position which Earl Granville offered us on behalf of Her Majesty's Government, conditional upon our entering confederation.

The Government at that time was by an Imperially appointed Governor and Legislative Council consisting of thirteen members appointed by the

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Crown and nine representatives of the people. From this it is easily understood the influence Earl Granville's despatch had in favour of confederation and in favour of an all-British line of transcontinental communication, with a British Columbia San Francisco at the Pacific end thereof.

Proposed terms of union were drawn up by the appointees of the Imperial Government (*see* Sessional Papers British Columbia, 1875), one of which is as follows:—

“Inasmuch as no real union can subsist between this Colony and Canada without the speedy establishment of communication across the Rocky Mountains by coach-road and railway, the Dominion shall, within three years from date of union, construct and open for traffic such coach-road from some point on the line of the main trunk road, and shall further engage to use all means in her power to complete such railway communication at the earliest practicable date, and that surveys to determine the proper line of such railway shall be at once commenced, and that a sum not less than one million dollars shall be expended in every year, from and after three years from date of union, in actually constructing the initial section of such railway from the seaboard of British Columbia to connect with the railway system of Canada.”

These terms drawn up by an Imperially appointed Government were not fully satisfactory, but you will notice that it is specifically set out that no real union could subsist without communication across the Rocky Mountains by coach-road and railway. Time is mentioned when the surveys and constructions would commence, and even the minimum amount to be expended each year was specified.

Negotiations varied the proposed terms somewhat, but the dominant thought throughout was railway connection between the Atlantic and Pacific.

Section 11 of the terms of union agreed upon as a result of Earl Granville's despatch reads as follows:

“The Government of the Dominion undertake to secure the commencement simultaneously, within two years from the date of union, of the construction of a railway from the Pacific towards the Rocky Mountains, and from such point as may be selected, east of the Rocky Mountains towards the Pacific, to connect the seaboard of British Columbia with the railway system of Canada; and, further to secure the completion of such railway within ten years from the date of union.

“And the Government of British Columbia agrees to convey to the Dominion Government, in trust, to be appropriated in such manner as the Dominion Government may deem advisable in furtherance of the construction of the said railway, a similar extent of public lands along the line of railway throughout its entire length in British Columbia, not to exceed, however, twenty (20) miles on each side of the said line, as may be appropriated for the same purpose by the Dominion Government from the public lands in the Northwest Territories and the Province of Manitoba: Provided that the quantity of land which may be held under pre-emption right or by Crown grant within the limits of the tract of land in British Columbia to be so conveyed to the Dominion Government shall be made good to the Dominion from contiguous public lands; and provided, further, that until the commencement, within two years, as aforesaid, from the date of the union, of the construction of the said railway, the Government of British Columbia shall not sell or alienate any further portions of the public lands in British Columbia in any other way than under right of pre-emption, requiring actual residence of the pre-emptor on the land claimed by him. In consideration of the land to be so conveyed in aid of the construction of the said railway, the Dominion Government agree to pay

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to British Columbia from the date of the union the sum of \$100,000 per annum, in half-yearly payments in advance."

You will note that British Columbia was called upon to contribute a very large grant of land equal to that contributed by the Dominion Government from the public lands in the Northwest Territories and the Province of Manitoba. I wish to direct your attention to the fact that the Provinces of Ontario and Manitoba were not called upon to contribute one acre of land towards the construction of this railway. The land in the Northwest Territories was the property of the Federal Government at that time, so that, as far as the Provinces of Canada were concerned, British Columbia was the only Province that was required to contribute a huge land grant in addition to her share of the burdens put upon the nation by the construction of the transcontinental railway.

We have here the undertaking of the Dominion Government to build the railway, but there is not a word about the cost of mountain construction or mountain operation. All the way through the negotiations and the formal agreement are the "*operations of a single Government responsible for the progress of both shores of the continent.*" These terms of union were negotiated on the basis that the operations of this railway were to be the operations of a single Government, responsible for progress on both shores of the continent, and, it may be assumed, all the way across the continent between those two points. I submit that you cannot put any other construction upon the language used.

British Columbia implemented in full, both in letter and spirit, her part of the agreement. The full quantum of land, 20 miles on either side of the railway and 3,500,000 acres of selected lands in the Peace River District, were conveyed to the Dominion of Canada. If, on account of the mountainous character of the country to be traversed and operated, it was intended that British Columbia should be charged higher rates than the other Provinces of Canada for the use of the railway, it is only reasonable to suppose that there would have been some indication of such intention; but, so far from that being the case, it was recognized that British Columbia's land grant was excessive, and to balance the account British Columbia was given an allowance of \$100,000 per annum in perpetuity to balance the excess of that land grant.

There is only one reason possible why a grant of land of such magnitude was exacted by the Dominion Government from the Province of British Columbia, and that is that that land grant was to balance the physical conditions and the extra expenditures which would be incurred by the construction of a road through the mountains of British Columbia. By the imposition of these discriminatory rates the provisions of the agreement have been distinctly violated and we are appealing for redress.

In addition to the land grant, British Columbia gave up her customs tariff many years before the railroad was completed, and which, under the agreement, she had the right to retain until completion of the railway. This was done, I submit, only because British Columbia had implicit faith in the good faith of the Dominion Government in carrying out the terms of union.

The terms of union were agreed upon and became effective by Order in Council, dated May 16th, 1871. That order came into effect and became operative as from the 20th of July in that year. At the 1872 session of the Dominion Parliament the Canadian Pacific Railway Company was incorporated. The preamble of the Act of incorporation is as follows:—

"Whereas the construction of a line of railway through British territory, across the continent of North America, which, in conjunction with existing railways, would afford uninterrupted railway communication between the

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Atlantic and Pacific seaports of the Dominion of Canada, is a work of vast importance, not only to the political and commercial interests of Canada, as *tending to the closer union of its several Provinces, but also to the British Empire at large, as affording rapid and direct communication through British territory with her Australian and Asiatic possessions* and opening up for colonization an almost unlimited extent of fertile country; and whereas the persons hereinafter named have formed themselves into an association for the purpose of constructing the said line of railway, and have prayed by petition to be incorporated as a company, and to be invested with the powers necessary for the purpose, and it is expedient to grant the prayer of their petition."

You will note that the two main objects to be attained in the construction of the road were, first, the closer union of the several Provinces, and, second, the providing of a means of *rapid communication between the Empire and her Asiatic possessions.*

No one would suggest that the placing of a rate structure on the haulage of goods through British Columbia such as we have to-day would tend to the closer union of the Provinces. This rate structure practically limits our communications with the East to one that provides an outlet for the products of the factories of the East and confines us to the markets west of the mountains. If it had been suggested at the time of the agreement that this Province should pay a higher rate than any other portion of the Dominion to offset the cost of construction or the cost of operation of the transcontinental trains, that have made direct communication possible between the Empire and her Asiatic possessions, through a range of mountains that bound the Province on her western border, surely the answer would have been a most emphatic refusal to enter into any such arrangement. Those difficulties were common to the transcontinental system *as a whole* and any costs of that nature should be borne by the system as a whole. Just as it was found necessary to construct and operate the line of railway across the barren lands north of Lake Superior as a part of the transcontinental system, so was it necessary to construct and operate through the mountains of Alberta and British Columbia, not only as part of a transcontinental system, but as part of the route beneficial "to the Empire at large as affording rapid and direct communication through British territory with her Australian and Asiatic possessions." Construing the terms of union in a manner which permits a continuance of the existing rate discrimination is a violation of the agreement that brought about the union of British Columbia with the Dominion. It might be argued that if it was intended at the time that the Province should be protected in the matter of freight rates a term should have been placed in the agreement providing for such protection. In answer to that argument I contend that no such term was necessary. The "Railway Act" of 1868, which was the Act in force in 1871, at the time of confederation, made any such discrimination illegal. The section relating to tolls (subsection (6), section 12, chapter 68) reads as follows:—

"All or any of the tolls may by any by-law be reduced and again raised as often as deemed necessary for the interests of the undertaking; but the same tolls shall be payable at the same time and under the same circumstances upon all goods and by all persons, so that no undue advantage, privilege, or monopoly may be afforded to any person or class of persons by any by-laws relating to the tolls."

No such discrimination would have been possible under that section. In the Act of 1879, section 17, subsection (6), chapter 9, the same section appears, and reads as follows:—

"All or any of the tolls may by any by-law be reduced and again raised as often as deemed necessary for the interests of the undertaking; but the same tolls shall be payable at the same time and under the same circumstances upon

all goods and by all persons, so that no undue advantage, privilege, or monopoly may be afforded to any person or class of persons by any by-laws relating to the tolls."

I submit that we have a right to demand that the "Railway Act" as it stood at the time of confederation shall be read in connection with the terms of union, in considering whether British Columbia has a just ground of complaint at the present time, and that there has been a distinct violation of both the letter and the spirit of the terms of union, in respect of this matter.

From the time of union forty years ago down to the present, with possibly very short intervals, the Dominion of Canada has never lived up to the spirit of the terms of union. When the time for commencing construction had arrived no railway line had even been located, and on July 15th, 1873, British Columbia protested against a breach of the agreement. Protests were made to Ottawa without result, and in 1874 the Honourable George A. Walkem was delegated to go to England to place British Columbia's protest against breach of the terms of union before the Imperial Government. Mr. Walkem presented the case of British Columbia to Earl Carnarvon on July 31st, 1874, with the result that Lord Carnarvon offered his services as arbitrator of the differences which had arisen. This offer was accepted by British Columbia, November 17th, 1874; and Earl Carnarvon made an award which was adopted.

I have mentioned the above for the purpose of emphasizing the fact that during the whole controversy there never was a suggestion that British Columbia had not performed in full her part of the terms of union; nor was there ever a suggestion that because of the mountainous country to be traversed British Columbia should make any special contribution other than was mentioned in the terms of union, either to the construction or operation of the railway.

Further, that the construction of the transcontinental railway was the dominant factor which induced British Columbia to enter the confederation; and still further, had the terms of union been in the nature of a treaty between Canada and a foreign nation of equal power, no such discrimination as that now complained of would have been possible.

The varying of the Act of 1868 so as to permit of an inequality of treatment is a direct violation of the spirit of the terms of union. It is not contended that the Dominion should not exercise its powers to raise or lower rates, or to fix different rates for different commodities or for different distances, but it is contended that, as far as railways are transcontinental or national in character, all parts of Canada are entitled to an absolute equity of treatment.

It may be urged that the terms of union were not binding on the Canadian Pacific Railway Company. I submit the answer to such a contention is that at the time the Canadian Pacific Railway Company was incorporated and contracted to build the railway mentioned in the terms of union we must presume that they knew what those terms were; they also knew that the "Railway Act" of 1868 did not permit them to discriminate. They also knew that they could build the railway through the Yellowhead Pass and via the North Thompson River to Kamloops without having a single mountain grade in British Columbia. The railway from Emory Bar on the Fraser River below Yale to Savona Ferry had been built by the Government and handed over to the Canadian Pacific Railway ready for operation. Had the company adhered to the route over which they had contracted with the Government of Canada to build, they would have had neither mountain grades nor mountain construction in British Columbia. The fact that the company did not adhere to its contract as originally agreed upon, but obtained from the Dominion Parliament a right to build over the top of the Rocky and other

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mountain ranges in British Columbia rather than follow the valleys now traversed by the Canadian Northern Railway, should not affect the rights of British Columbia solely. If the Canadian Pacific Railway blundered in choosing the route and the Parliament of Canada erred in permitting the change, British Columbia may have a right as part of Canada to bear her proportion of the cost, but why should she bear the whole cost of the error of the whole of Canada? I submit that she should not.

The discriminatory rates imposed upon British Columbia, besides unjust exaction, have stifled industry and development to an extent which cannot be calculated. It has retarded and is retarding the establishment of industrial communities other than those which exist by reasons of local requirements. It has retarded and restricted the proper exploitation of our great wealth of natural resources. By increasing cost of production it has prevented the Dominion from participating in a wealth of foreign trade. It has retarded and restricted the production of our agricultural lands. It has retarded and restricted the growth and development of our neighbouring Province of Alberta, by compelling it to haul the goods necessary for the sustenance of its people and the produce of their farms distances from two to three times as great as would have been required if secured from or marketed through this Province. The same imposition is preventing the Port of Vancouver from enjoying the privilege of becoming a great Canadian grain port, although it is within 600 miles of the grain belt, and in spite of the fact that millions of bushels of Canadian-grown grain are being exported through the ports of the United States on the Atlantic seaboard. And all this because of a rate that violates the spirit of the agreement which consolidated the Provinces of this Dominion into a great confederation.

This rate discrimination has always been resented. In 1906 and 1910 it was contested before the Board of Railway Commissioners without result. Failure to obtain the removal of the discriminatory rates was one reason for the consummation of the Canadian Northern Railway agreement to construct a line of railway over the route originally contemplated for the Canadian Pacific Railway, and this agreement was justified largely on the ground that such a road would reduce rates in the Province and permit British Columbia to get into the consuming markets of the Prairies on rates that were reasonable and just, and that the rates known as mountain-scale rates would be eliminated.

To make absolutely certain that there would be no misunderstanding of what those new rates would be, the Government of the day entered into another agreement. It was intended to absolutely guarantee the promised reduction in rail rates. This agreement is contained in chapter 3 of the Statutes of British Columbia, 1910, and the section dealing with rates is as follows:—

“Section 8 of the agreement contained in the Schedule to the Act. In consideration of the guarantee to the securities hereunder, the Northern Company covenants that the Pacific Company will agree that the Lieutenant-Governor in Council may from time to time, having due regard in so doing to the position and interests of the Pacific Company, and in the case of traffic destined to or originating in the other Provinces of Canada, bearing also in mind the desirability of obtaining reasonable rates from points in the Province of British Columbia to points in the other Provinces, and vice versa, modify any rates established by the Pacific Company for the carriage of freight and passengers to and from points on the said aided lines within the Province of British Columbia; provided always that before any rates are so modified, the Pacific Company shall be heard and its interests taken into consideration as aforesaid; provided further that if the Pacific Company shall at any time be dissatisfied with any rates so modified by the Lieutenant-Governor

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in Council, it shall have the right to appeal from the order modifying any such rates to the Supreme Court of British Columbia. Any such appeal shall be heard before the Chief Justice and one of the Justices, or before two of the Justices of such Court (hereinafter referred to as 'the Appellate Tribunal'), who, upon any notice of such appeal being given, shall be nominated by the Lieutenant-Governor in Council to hear and determine such appeal. The Appellate Tribunal in the event of any such appeal shall have authority, and it shall be its duty, to inquire into the whole matter, with power to call and examine on oath or otherwise such witnesses as either party may desire; to examine into, or cause to be examined into, all books, vouchers, or accounts of the Company, to call in the assistance of such experts, and generally to make such investigation as it may be deemed desirable to enable it to determine the matters involved in such appeal; and thereupon it may either confirm, modify, disallow, or revise such rates so appealed against. Any rates so modified or determined by the order of the Lieutenant-Governor in Council in conformity with the provisions of this section shall, except as modified on such appeals, be rates which the Pacific Company will be entitled to enforce in respect of the services covered by such rates. The Canadian Northern Railway undertakes that it will not, and the Pacific Company will agree that it will not, bring or promote any appeal to the Railway Commission of Canada from any order made under and pursuant to the provisions of this section; and, in the event of any such appeal being brought by others, that the Northern Company and the Pacific Company will represent to the Commission on such appeal that it is satisfied with the rates the subject of such appeal in so far as they are or have been established within the provisions of this section."

The guarantees above mentioned were to the extent of \$45,000 per mile for the main line in British Columbia and was the prime factor which was to enable us to get away from the discriminatory rates which had been imposed upon the people of this Province.

This legislation received the endorsement of the people of British Columbia on the specific ground that this enactment gave to the Government of the Province of British Columbia absolute control of the rates which were to be charged by the Canadian Northern Pacific Company, not only in the Province of British Columbia, but outside the Province, as far as they affect the commerce of British Columbia. This endorsement shows what the people of British Columbia felt in regard to the rates being imposed upon them by the Canadian Pacific Railway in violation of the terms of union. To show that this was the case, I wish to quote from a speech made by the then Premier of the Province, the late Sir Richard McBride, on introducing this Bill in the Provincial Legislature. The premier had this to say:—

"But still we have to-day the Kamloops of two or three or four thousand people, and we still have the Spences Bridge, the Lytton, the Ashcroft of twenty years ago. It is true of late, by reason of the general westward movement and the development to some extent of our fruit lands, some little progress has been made, but nothing in proportion to the relative growth that the natural conditions and potentialities of these regions in question amply justify. The explanation is simple. These sections have not advanced—they could not advance, because there has been afforded them no competition—because the people have had no alternative competitor for their business which could have provided them with the means of selecting the vehicle that would take their various commodities and products to the natural markets, and also would enable them to market the products of their industry at a fair transportation price."

Farther on in his speech he said:—

"Because the Government has brought in an agreement to extend the Canadian Northern Railway through British Columbia it does not follow that

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this Government has a word to say against the Canadian Pacific Railway or the Grand Trunk Pacific—we say let them all come. We believe that through the introduction of the Canadian Northern Railway into this Province—with the control of freight and passenger rates in the hands of the Government—that there will be such an adjustment of railway freight and passenger rates throughout the Province generally that it will place travel within the reach and financial ability of the whole Canadian people.”

Dealing more specifically with the question of rates, he said:—

“We now come to a very important matter of the control of rates, and with regard to this let me explain a little in detail. All through the election campaign this formed a constant text of criticism. What control could the Government exercise over the rates that would be charged, it was continually asked. From Vancouver especially this criticism presented itself, where by reason of the *discriminatory operations of the Canadian Pacific and Great Northern Railways* a general feeling has been not unnaturally developed that before British Columbia should consent to endorse these proposals, which amounted really to the endorsement by the Province of the company’s note for forty millions of dollars, that there should be substantial guarantee of that competition which would give the Province lower rates. And that is precisely what we have here. On the day of the election he had said that British Columbia would have the same control over the rates to be charged by the Canadian Northern as had been arranged for and was exercised by Manitoba. This promise is more than redeemed in the Bill before the House.”

This bears out what I have said, that whatever the legal interpretation might be, the people of British Columbia were induced to support that road to the extent of forty million dollars for the purpose of securing lower rates of transportation to the people of this Province.

“The protective section that we have in this Bill is much wider—it goes much farther than the people of Manitoba have got under the arrangement made by the Government of that Province with the Canadian Northern. Not that I desire for one moment to discredit the accomplishment of that Government, for we well know what wonderful success has been achieved under the railway policy of my good friend, the Honourable Mr. Roblin. We well know the great good that that policy has brought about, not only for the development and the people of the Province of Manitoba, but for the entire West of Canada. We know that the pioneer in this matter of Government rate control in the Provinces of Canada is my very much respected friend Mr. Roblin, a great man, a big man, a great Canadian. We know how signally successful he has been in his dealings with the railways and the railway situation in Manitoba, and we desire to give him all honour and all credit for the fine things he has undoubtedly accomplished for his Province and for the people of Canada. I do not for one moment challenge the adequacy of the Manitoba arrangement, but I do say that in our agreement embodied in this Bill is found even more adequate protection for the people of this Province than the people of Manitoba received under their agreement.

“In our agreement it is provided that the Government shall have control of the rates to be established with opportunity for the company, if it should feel itself in any way unjustly dealt with, to appeal from our decision in rate matters—to appeal to a Court which is a local Court, the personnel of which it is provided shall be selected by the Lieutenant-Governor in Council. We do not propose to be unfair or unreasonable in our dealing with the railway company. It is to the interest of the Government and to the people and the Province of British Columbia as much as it is to the interest of the railway company that this road shall be a complete success; but, Sir, we maintain that we must have

control of the rates that shall be charged to the people of this Province, and we have here abundant protection against the imposition of any exorbitant rates and a guarantee also of true competition that must and will satisfy the most exacting. And we have made this control not terminable with the maturity of the obligation in regard to which the Province stands in the position of guarantor, but continuous—in perpetuity—so that while we have launched a road, part of a great transcontinental system, which we hope and fully expect in forty years will require no further Provincial aid, we have at the same time arranged that with regard to this road the people of British Columbia will for all time have control of the rates. In this connection, Sir, we have every reason to believe that history will repeat itself, and that the material blessings that have accrued to the Province and the people of Manitoba through the competition will have their counterpart in this Province and be enjoyed by the people of British Columbia. We also expect and believe that the Government will be able through the control of the rates to be charged on the Canadian Northern to bring about corresponding decreases in the tariff of all other transcontinental lines seeking the business of this Province. And, Sir, what a boon this must prove to the people of British Columbia.”

You will see from the above that the object of the then Premier of this Province in entering into that agreement was not only to secure lower rates on the Canadian Northern Pacific Railway itself, but to force those rates down to a reasonable point upon any other transcontinental railway.

“This control of rates does not terminate at the boundary of this Province; it is not confined to local traffic. It extends to traffic originating outside of British Columbia or destined to points outside of British Columbia. The Government will have the right to deal with all traffic, whether local or through. It will thus be in a position to give the amplest protection to the producers and merchants of the Province who will do business in other Provinces. It will give our business-men the same right to participate in the material prosperity of Alberta and Saskatchewan that is enjoyed by the merchants of Eastern Canada at the present time. That is one thing we have aimed at and we have succeeded in doing.”

In concluding his address he said:—

“Now, Sir, in conclusion, I think we in this Province may justly claim that the work for which we propose to claim the principal credit is by no means a Provincial work, but rather, Sir, it is a Federal work; it is a national work—aye, an Imperial work. I read not long since an opinion advanced by the Prime Minister of Canada on a great national question that some things had not come from Canada as readily as from New Zealand, when he observed that the Empire must take note that Canada was serving the flag very efficiently and well in the effort that she was making to bring about the completion of another transcontinental highway. The work this Government has undertaken in bringing the Canadian Northern to the Coast will be in all its incidence an Imperial work.

“And what more, Sir, may we not expect to see following in the wake of this construction in the way of works in operation. If the history of the Western Provinces, where the Canadian Northern is operating, is to be taken seriously, we have a record that wherever the Canadian Northern has come there has been an infusion of new blood, commercial rivalry and competition that has lent in great measure to the upbuilding of the community, to the erection of great elevators and sawmills and kindred industries, brought about directly through the operation of the Canadian Northern; that its advent meant new commercial life and new activity to those Provinces.

“May we not expect the same to occur in British Columbia, in part from the direct operation of the road and in part to the fact that it must bring along new

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people and new industries, and influences which appear to have followed in other Provinces give us a right to expect to see much more than the most extravagant prophet would anticipate in the way of the great good that will come to British Columbia through the completion of the Canadian Northern Railway."

The Province guaranteed the bonds of the company and this new Imperial project was completed; the Province could look to many benefits accruing through the completion of this road. In spite of this agreement with the company, for which we had given a full measure of consideration in identically the same way as before, *by the power of the Dominion Parliament our agreement was made ineffective* and we continued on our way still carrying the burden of the mountain scale. This Act of the Dominion Parliament simply declared the Canadian Northern Pacific to be a work for the general benefit of Canada, and it ousted the jurisdiction of the Province in the matter of rates. (See chapter 20, section 15, subsection (4), Statutes of Canada, 1914.) This enactment was made at the very time the Board of Railway Commissioners was writing the judgment deciding the Western freight-rates case. This fact is interesting in view of the interlocutory decision that was made by the Board during that period and which was made during the final argument by counsel for this Province. See Vol. 192 of the Record of Proceedings, Western Rates Case, pages 10075-10076, which reads as follows:—

"Mr. McPhillips: We say the Board cannot fix rates which would govern, so far as British Columbia is concerned, two railways which have not yet finished construction. We cannot see on what basis that could be done, for the reason that British Columbia anticipates a reduction of rates from the mere fact that the grades on those lines will be so much better than the grades on the C.P.R.

"The Chief Commissioner: You have in your hand the fixing of rates on the Canadian Northern. That is built on a local charter and is in your hands.

"Mr. Phippen: That is so, with certain limitations. You have to take the interests of the road into consideration.

"The Assistant Commissioner: The Canadian Northern Pacific is not in our jurisdiction.

"Mr. Phippen: The Province made a stipulation that it should never be under the jurisdiction of the Board.

"Mr. McPhillips: I am glad the Board takes that view of it.

"Commissioner McLean: It was not from lack of care in drafting the agreement.

"Mr. Phippen: I do not say I drafted that clause.

"Mr. McPhillips: We have your admission. We would like it on record.

"Mr. Phippen: I do not think you can have it any stronger. We will not consent to an application made by any other person, and will oppose any order which would bring the Canadian Northern under this Commission. If you can get any stronger admission than that you are welcome to it."

Mention has been made that had the Canadian Pacific Railway followed the route originally defined for it in the Act of 1880, no rate discrimination would have been necessary. That becomes very important in view of the fact that that must be the test of whether or not the rates on the Canadian Northern Railway are to be reduced.

In placing the proofs of the facts of the situation we are singularly fortunate. The Canadian National Railways have freely admitted the full facts. The most important admissions are made by the Chief Engineer of the Pacific Division, Mr. Thomas H. White, who has been with the company all during construction, and is still in their employ. This statement justifies in every way possible the high hopes that were held that relief was at hand when the

agreement was entered into with his company in 1910, and discloses the full significance of the blunder that was made in changing the route of the Canadian Pacific Railway, which change was authorized by the Parliament of Canada.

Mr. White, in an article prepared by him in 1919, stated the following:—

To any one who is interested in any way in the capacity of the railways crossing the North American Continent, the Canadian Northern Railway gradient from the plains east of the Rocky Mountains to the Pacific Ocean cannot be too insistently presented as an evidence of what the future of that railway must be in competition with all other transcontinental railways either existing now or which are possible in the future.

“Comparative profiles showing graphically a comparison of the existing lines have been prepared and distributed in a very limited way to those only in close touch with the C.N.R., and it seems desirable that this feature should be made more public so that it would be a matter of common knowledge and comment. Such an eminent authority as A. H. Smith, then President of the New York Central Railway, who examined the C.N.R., with the purpose of reporting on it, which he did very thoroughly, expressed himself as being astonished that such a railway was a possibility through such mountain ranges as exist in British Columbia. When that was his attitude towards the subject, any one less versed in railway conditions on this continent may well be considered in need of information.

“An explanation of the physical features which made possible the low gradients from the crossing of the Rocky Mountains via the Yellowhead Pass to the sea may be shortly stated as follows: Behind or west of the Rocky mountains and paralleling them throughout the whole length of British Columbia, and beyond that into the United States and north into Alaska, is a deep depression, which has been named the Rocky Mountain Trench, west of which rise the high ridges of the mountains in Central British Columbia between this trench and the Pacific Coast. Everywhere this trench has to be crossed by any railway from east to west. It is drained by the Kootenay, the Columbia, and the Cane Rivers, tributary to the Columbia, and the tributaries of the Pine, the Parsnip, and the Finlay Rivers. This drainage to the south and north heads at Cranberry Lake, about 45 miles west of Yellowhead Pass, which is consequently the highest point behind the Rocky Mountain Range on which the great trench can be crossed, and it was taking advantage of this, in conjunction with the low elevation of the Yellowhead Pass, that makes the grades of the Canadian Northern Railway only *incomparably better than any other railway across the mountains*, except the Grand Trunk Pacific, and it is the indisputable fact that at no other place can a line be built that will at all compare with the C.N.R. in rates or gradient or total rise and fall.

“The fall from the west end of Moose Lake to the crossing of the great trench at the Cranberry lake flat is 816 feet in a distance of 25 miles, which makes possible *a gradient of seven-tenths of 1 per cent.*, with the necessary compensation for curvature and easements for passing tracks, and this is the ruling grade on one division, from the Yellowhead Pass to Blue River, a distance of 111 miles, and *the only division on the 500 miles from the summit of the Rockies to the sea, where a gradient of more than four-tenths of 1 per cent. is necessary.*

“To climb out of the great trench to the west, to the highest point between it and the sea, at Albreda Summit, *a grade of four-tenths only* is necessary for 12 miles, *which is the only rise against west-bound traffic*, and the only gradient of any consequence which prevents a continuous fall from the summit of the Rockies to Vancouver.

"As this summit is 1,615 feet lower than that of the C.P.R., which is far lower than any other transcontinental railway except the Grand Trunk Pacific Railway, and because the C.P.R. has long grades against west-bound traffic of over 2 per cent and many grades of 1 per cent throughout the mountains, it is obvious that the C.N.R. has an advantage over any other railway in existence for west-bound haulage which can hardly be overstated, and that advantage can never be challenged in the future for the reason above explained, that there is no other route possible where like conditions obtain. What these conditions make possible in carrying of grain from the Prairies to the Pacific by the C.N.R.—*when freight movements from the east of the mountains to the Pacific and the reverse become adjusted*, as inevitably they will be—must strike with astonishment any one who is first acquainted with them, as was expressed by the New York Central Railroad's President when the facts were first presented to him.

"It cannot be too often insisted on in the interest of the C.N.R., that it has a grade from the sea to a summit of the Rocky Mountains over 1,600 feet lower than that of the C.P.R., and that it attains that lower summit with a grade that is nowhere worse than four-tenths of 1 per cent., or 21 feet, with the exception of one grade on a distance of 25 miles, and that these grades are compensated for curvature and adjusted to passing tracks within these limits, and that the curvature never exceeds 8°, seldom amounts to as much as that, and is spiralled according to the best and most modern practice.

"The more technical part of this statement will appeal to railway-men, but all of it must impress every one who learns of it, as an extraordinary fact that such a railway through such a country as British Columbia should be possible. Considering that this is an outlet from that immense area east of the Rocky Mountains tributary to the C.N.R. which lies north of the C.P.R. and as far east as Manitoba, and which is beyond doubt the best adapted to the raising of grain and general farming of all the immense Northwestern Territory of Canada, and that *it is also an inlet from the Pacific to the same under such favourable haulage conditions*, can it be questioned that it will develop an immense business both easterly and westerly, which it will be able to create as soon as conditions become normal for water-borne freight on the Pacific. *Between the Great Plains and the Pacific Ocean the mountains are no longer a barrier since the C.N.R. has come into existence*, for they are crossed by this railway with a line which is comparable in the matter of gradients to like distance in the least mountainous districts on the continent, and is capable of hauling as great tonnage as rapidly and cheaply as any."

I venture to say that if the profiles of either the Canadian Pacific Railway, the Grand Trunk Pacific, or the Canadian Northern anywhere through the Provinces of Manitoba, Saskatchewan, or Alberta were examined, not many gradients equal to the gradients on the Canadian Northern line in British Columbia will be found.

Mr. White refers to the fact that the C.N.R. is 1,600 feet lower than the C.P.R. I would point out that, as far as the C.P.R. is concerned, it entered into contract in 1880 to build by this very route over which the C.N.R. has been built, and again I wish to emphasize the fact that the Province of British Columbia should not be penalized by the blunder of the C.P.R. in abandoning the line which had been laid out for it originally by the Parliament of Canada. If the C.P.R. chose to go 3,000 feet higher than was necessary to put a line over the top of the mountains, that was their own error; we have no right to be penalized for their mistake.

Although corroboration of the remarks of Mr. White is unnecessary, I am going to support him in the position he has taken by a short quotation

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from the remarks made by Mr. D. B. Hanna, who is in charge of the Dominion's great railway undertakings. Speaking at the Shatford Chamber of Commerce, Denver, Mr. Hanna said:—

"The Canadian National Railways are very strong in the West. Let me just go back a moment to speak of the Canadian Northern Railway. The layman knows the value of the railway property if he sees two lines of railway running in parallel order; on the one line there is a locomotive of the same standard as the other line, one hauling ten cars and making a fuss over it, another hauling twenty-five cars and doing it with, 'All right, I thank you, we are doing very well.' That is the condition of the Canadian Northern lines in the West, with a grade going through the mountains with the exception of some 25 miles, of five-tenths of 1 per cent. Let me illustrate what that means. In 1915 the Senators and members of Parliament were taken on a trip to the Pacific Coast. I have always said, and repeat it, that if they talked less at Ottawa and did a little more travelling, so as to know something more of the country, we would think a great deal more of them. I think the ignorance of some members of Parliament is colossal in regard to the Dominion as a whole. On that trip we hauled fifteen cars, consisting of sleeping-cars, dining-cars, and lounge cars, where they could have enjoyment, speeches, and reminiscences by the old-time members of Parliament. Fifteen cars were hauled by a single locomotive through the mountains to Vancouver. Consider what that means. How many of you have been to the Coast? How many have travelled over the Canadian Northern Railway? (One.) You should get the Victoria Cross for that. Those who have been to the Coast have seen how the C.P.R., with six or seven cars, struggled to get up the grades across the Fraser River; whereas we can take fifteen cars with a single locomotive. That means that the Canadian Northern Railway comes into its own, as it is going to come into it, as sure as I am standing here. It is but a question of time. We have a line of railway that will do 150 per cent. more business than our good friends across the Fraser River, and do it at less cost. If we have any faith in our country at all, it is only a question of time when this property of yours can be made a valuable asset to Canada.

"We are strong in the West, we are strong in the East, but we are weak in the centre of the system. That is where the Grand Trunk will fit in to a nicety. I am not going into the why and wherefore of that; it is not my province. I consider the Government acted with great wisdom when it made up its mind that no more money was to be advanced to carry on operations with respect to the Grand Trunk and the Grand Trunk Pacific, but that it had better take over the property. That is what it has done. It was the logical thing to do and it is going to mean everything to the Canadian National Railway system. The Grand Trunk is linked up with all industries of any importance in Ontario and Quebec, with a continuous roll of traffic both east and west, and when the National system gets the benefit of the long haul you can see where we will be. We are not going to lose much sleep over our friends the C.P.R.; that will be their business. Our business is to see that the Canadian National railways are considered first. In that you must play your part."

As to the possibilities of the future, before this new era can be ushered in we must have an actual removal of the barrier to that trade development. That barrier is contained in the rate tariffs fixing the rates in British Columbia, and it is requested that the discrimination in rates in British Columbia affecting the movement of freight in, to, from, or through the Province be removed.

In closing I wish to again emphasize, irrespective of mountain grades, mountain scale of wages, conditions of mountain operations, irrespective of any physical condition which exists in connection with our national trans-

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portation system, that if Canada is to carry out in good faith the terms of confederation, the terms that were agreed to when British Columbia entered the union fifty years ago, and which have never been kept in good faith by the Dominion of Canada, these discriminatory rates must be wiped out on that ground, if on that ground alone.

In view of the fact that the character of the country was known at the time of the union, that the existing mountain grades were known, that the existence of the Yellowhead Pass was known, that it was known that that pass afforded the most easy grade across the continent in British North America, that it was well known is proven by the fact that the Yellowhead Pass route was specified in the Act incorporating the C.P.R. in 1880, and that had the C.P.R. adhered to its original agreement there would have been a mountain grade on the C.P.R. main line in British Columbia, I request, in the name of the people of British Columbia, that the terms of the agreement as understood at the time it was entered into be given full effect.

I would suggest that the Dominion "Railway Act" be amended so as to prevent discrimination in the matter of rates.

I am,

Yours very truly,

JOHN OLIVER,
Premier.

Hon. Mr. OLIVER: Now, Mr. Chairman, I have represented certain costs of construction, and I do not wish to appear to be taking advantage of you, or to be placing before you matters which are in themselves unfair. I have taken costs of construction in Eastern Canada and in Western Canada. It is true that the sections in British Columbia taken, namely the Fraser R. Canyon, were the most costly of construction of the C.N.R. in that Province, and similarly the section from Ottawa to Montreal, including the tunnel, is the most costly of construction in Eastern Canada. That also includes the tunnel near Montreal, but I am advised that it does not include the terminals in Ottawa. I think, however, that we may refer the Committee to the terminals in Ottawa as to the cost of providing terminals in Eastern Canada, and compare them with the cost of terminals in Alberta. Other sections taken were representative. But the point that I wish to emphasize before you is that it does not matter whether the cost of construction which sets your fixed charge in your capital investment was through a tunnel under Mount Royal, in Eastern Canada, or through the Fraser River Canyon in British Columbia; your capital costs are there; you have to pay the fixed charges; you have to pay dividend on them, and why the money was expended, the reason for the cost, I do not think is a governing factor, so far as rates are concerned."

I would just like to point out to the Committee this view. Let us compare for a moment British Columbia with Alberta. We want to sell our timber to Alberta, and Alberta wants to buy our timber for construction purposes. In fact, as it is now, the whole of Canada wants our timber. Mr. Lanigan advised you the other day that they had made a special rate on British Columbia timber to the eastern provinces, and I take it that that rate was made in the interests of Eastern Canada. Eastern Canada is interested in being able to transport their timber from the seaboard of British Columbia through the mountains just as British Columbia is.

The CHAIRMAN: I have a letter from a British Columbia lumberman, one of the largest, protesting against those rates because they are bringing him severe competition.

Hon. Mr. OLIVER: All I have to say with regard to that representation is that if you give British Columbia as good rates as you give eastern Canada, we will have
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no complaint on that score. It is just as necessary for Alberta and Saskatchewan and Manitoba to get British Columbia lumber, fruit, and building paper and products of that kind as it is for British Columbia to sell them. The interest is absolutely common between the prairie provinces as to the means of transportation between the points interested. That is absolutely true as regards the system as a whole. You might just as reasonably divide the transcontinental system into 100 mile sections as divide it by provinces. You might just as well say that the whole cost of construction through the barren lands north of Lake Superior should be charged against the traffic originating from and going to that very point. There would be just as much reason to it. I say that this transportation system has to be considered as a whole. You might just as well refuse to feed your face because it does not prepare the food for consumption; the hands do it. There would be just about as much reason to it.

I appreciate the fact that on costs of construction and costs of operation the Prairies will appear in a more favourable position than that which British Columbia occupies. But are not the Prairie Provinces peculiar to the whole of the Dominion? To reach the Prairies from the Atlantic seaboard do you not have to pass through miles and miles of unproductive territory. I would like to draw your attention to that section between Cochrane and Fort William. Surely you will agree that is not a particularly desirable section of the country through which to operate a railway.

This has been termed a bridge by the railways because very little traffic originates on this section, but it is a bridge between the East and the West in so far as the Eastern Canadian Manufacturer and the Prairie farmer consumer are concerned. Why should the section through the mountains to the Pacific Coast not be considered a bridge also. There is one thing certain and that is that it would be a very much shorter bridge and the possibilities of securing tonnage from the section through which it passes would be infinitely greater, from the fact of the deposits of coal, minerals and timber that abound through the whole distance which is traversed.

I have placed considerable information before you and in summing up the submissions that I have made as Premier of the province of British Columbia I would like to emphasize the fact that the transportation systems of this Dominion should, as far as it is possible, be in the interests of national unity, extend the same transportation facilities at the same cost, to every part and section of the Dominion as a whole, and I suggest to you that our transcontinental systems were in the beginning national and Imperialistic in nature, and surely the national aspect of the Canadian Pacific Railway has been accentuated by the fact that the balance of the railway systems of Canada are now nationally owned.

I have tried to show you that on the theory advanced that there was a higher cost of construction and a higher cost of operation in British Columbia there was no justification for the higher tolls charged in the Western section of the Dominion that have been placed before you.

But if there are difficulties of construction or operation, they are difficulties which belong to the system as a whole; are they not difficulties to the man in Eastern Canada who secure their Oriental commodities via Pacific Ocean ports and which are transported across the mountains; are they not difficulties common to the Eastern producer who ships a portion of his commodities both for export and for local consumption to the Pacific Coast.

Just in connection with that I was advised some time ago that there was considerable trade between Australia and New Zeland and the manufacturers of eastern Canada and if they ship across the continent through the port of Vancouver, they must also have an interest in the transportation over those mountains.

And in every way that it can be looked at, can it be said that British Columbia, after meeting any difficulties that were created by the enormous subsidies, the details of which I have submitted to you, and which were granted for the express purpose of aiding in the construction and operation of the roads in question, should be penalized with a rate from 20 to 200 per cent higher than that charged elsewhere?

[Hon. Mr. Oliver.]

If your Committee is against us on the principle of wiping out the existing discriminations I would like you to appreciate the effect on the trade and development of the Pacific Coast Province that will result.

Shortly, it means that industrially and commercially the activities of British Columbia must be confined to the possible consumption in the province. It means there will be little or no possibility of the development of general trade via the Pacific Coast. It means that the export of grain and of lumber and of other commodities, the products of forests such as pulp, and paper, and mineral and fishery products will be limited in that general trade can only develop when cargoes are available for your ocean carriers both inward and outward. Without fair access to the markets of Prairies, inbound cargoes can never be developed by the consumption of the people of the Province of British Columbia alone.

Looked at from the national point of view, discriminatory rates from the Pacific Coast eastward will prove to be a matter of immeasurable cost.

There is another matter that I think should be emphasized before you and that is the Nature of the Traffic that the Western sections of the transcontinental systems were intended to carry, and which justified their construction.

The Canadian Pacific Railway selected the Kicking Horse Pass route because it shortened the line from Ocean to Ocean, leaving the obvious conclusion that the higher cost of construction or higher cost of operation which was recognized as a result of the changing of the route at that time, was justified on the ground that there would be more ready access or more rapid communication between the Pacific and Atlantic, and a shortening of the time between the Orient and the United Kingdom. Little or no consideration was given to the matter of interprovincial trade as between the Provinces of British Columbia, Alberta and Saskatchewan. On the other hand, the Canadian Northern Railway was built through the Yellow Head Pass because by adopting this course the trade barrier of the mountains as between the provinces was eliminated—eliminated because the grade secured by the Canadian Northern from the Prairies to the Pacific Coast was better than the grades of the C. P. R. or the C. N. between Edmonton and Fort William, or the grades on the C. P. R. between Calgary and Fort William; and I am going to submit to you that what the railways require today is not higher rates, but more business. That is peculiarly true of your Western lines. A removal of the trade barrier between the Prairies and the Pacific Coast by a general ironing out of the mountain scale of rates will unquestionably give an impetus to trade in very section. It will permit the railways to develop the business that they were constructed to handle, and without the reduction in rates your western railways will be compelled to operate and handle only a small portion of the tonnage with its attendant results, smaller than otherwise would be secured.

While the Board of Railway Commissioners may be limited and restricted by the terms of the Railway Act, I am going to suggest to you a remedy in substitution of the Crowsnest pass agreement, if you decide that its day of usefulness has gone, that the Railway Act should be amended to provide for 2 rate Structures in Canada, and that territorial discrimination should be limited to one ground, and one ground alone, and that is water competition. I appreciate that water competition may be a factor in Eastern Canada, but I submit that water competition does not represent a variety of discrimination such as we have in British Columbia to-day. Whatever the actual result of water competition is, there is no doubt but that the railways should be permitted to meet it to secure the business, but beyond that no higher tolls should be charged elsewhere.

If the railways have to secure higher tolls in the West than they do in the East, it must be presumed that the rates in the West are arbitrary and hold no relationship to the costs of operation or construction in the different sections.

Rail rates on the Prairies, I submit hold no relationship to the costs of operation or construction. However, in British Columbia on the theory that our cost of con-

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struction and operation are higher than those which obtain on the Prairies, our rates are the equal of one and a half to one, or something over 30 per cent higher in British Columbia than they are on the Prairies. If our alleged higher cost of construction and operation is a justification of higher rates in British Columbia on the contrary, are not the lower costs of construction and of operation on the Prairies justification for lower rates than obtain in Eastern Canada where the cost of construction and cost of operation, as I have shown, are materially higher; and I submit it in relief of the railway situation with a view to the development to the maximum of the trade of the West, with a view to greater satisfaction and contentment throughout the Dominion, the time has now arrived when differences in the costs of transportation should be eliminated as far as it is possible.

British Columbia trade development will be substantially benefitted I know, but will not the position of the farmer in Alberta and Saskatchewan whose natural outlet for his products, if he is going to successfully dispose of them in the world's markets, are via the Pacific Ocean ports and thence via the ocean to whatever markets are available, be also improved?

Similarly, should not his fish and fruit and his lumber and other manufactured commodities move to him from the shortest possible distance?

Now I have placed before you what we believe are the discriminations, we have submitted to you what we believe are sufficient facts to warrant the removal of them, and we are asking Parliament to-day to deal with what we in British Columbia believe to be a matter of national importance.

Before the Board of Railway Commissioners during its sittings in Vancouver there appeared some twenty-six of the leading business men, merchants and manufacturers, and placed the effects of these discriminations on their business as they saw them, before that tribunal. Leading merchants gave evidence that over 50 per cent of the heavy hardware handled was to-day manufactured in British Columbia; similarly, some 60 per cent of the groceries handled by a wholesale grocer originates in British Columbia. While the variety of other commodities included such things as largely represent the requirements of the Prairie consumer; in every instance these men have evidence that if the discriminations in freight rates were removed the volume of their business would be increased by from 50 to as high as 200 per cent and they gave it as their opinion that the growth of the industrial community in British Columbia would be such that the increase in the volume of the railway business to be secured would more than offset any reduction in rates that the removal of the discriminations would involve. Such is the issue as British Columbia sees it. I have appealed to you and to the Board of Railway Commissioners, and we hope to secure redress. We will have a further remedy, we will have the right as we have done in the past to appeal to the Imperial Parliament. Or we will have the right to appeal to the power which we as a sovereign government possess, namely that of resorting to the power of taxation. I appreciate that this will mean an issue between the Dominion Government and the Provincial Government because it will unquestionably bring up the right of the Dominion Parliament to disallow provincial legislation, and should this issue go to that extent, I am rather inclined to the opinion that a situation fraught with the most serious of consequences would be developed. But I want to tell this Committee plainly and frankly that you cannot expect the people of British Columbia to quietly submit any further to the discriminations that we have shown to you as existing at the present time. As a part of the Dominion of Canada we are entitled to equal treatment and to the same consideration that the people of the rest of the Dominion enjoy. Mr. Chairman and gentlemen, that is our case. I only wish to emphasize again and make it just as emphatic as I possibly can when I say that I will have the people of British Columbia united-almost to a man behind our Government in demanding the removal of the discriminating freight rate and using every power in the hands of the Provincial Government to bring that about. I am not mak-

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ing this statement in the way of a talk or a threat or anything of that kind. There is no person who would regret more than I would that if the trend of events is to accentuate the difference which has already sprung up and which exists to-day between the people of eastern Canada and the people of western Canada, there is no person who will regret that more than I will, but I want to say to you and say it just as emphatically as I can say it, that the man or the community or the province that will submit to a wrong, a known wrong, a grievous wrong, when every other legitimate means of trying to remove that grievance fails, then I say and I say it advisedly, that that man or the people of that province have the right to resort to the last argument, and that is the argument of brute force. I would regret that anything of the kind should result. I don't think there is a man in Canada but what would regret it, but I want to point out to you that that is the trend of present day events, to disunite Canada and create opposition. This is already created. It exists to-day. That position of east against west exists in Canada to-day, and this Parliament and this Committee has it in their power very largely to prevent that breach, if I may call it, or that feeling from spreading any further. You have it in your power to take steps which will halt that feeling, which will remove that source of irritation. You have it in your power to bring about what the people of British Columbia at the time of confederation looked forward to, a condition of affairs which will tend to unite all the provinces of Canada into one harmonious whole.

By the Chairman:

Q. I just want to ask you one question. I understood your argument to be against discriminatory rates in having a freight structure built on national grounds. Is that right?—A. Yes, that is one trend of it.

Q. Our inquiry refers to the Crowsnest pass agreement which you know well. You are a public man and evidently made a great deal of study of the railway rate question. What opinion would you offer to this Committee as to the action they should take in that regard?—A. Well, Mr. Chairman, I feel somewhat diffident about offering opinions before a Committee of this kind, but as I have already stated this morning, the Board of Railway Commissioners have been inquiring for months into this matter. I believe they are in position to-day to advise this Committee much better than I can possibly advise them. I can only speak on general principles.

Q. Yes, on general principles.—A. I recognize that the condition have changed vastly and that the Crowsnest pass agreement, as I said before, consideration having been given, full consideration should be given to that in considering the action of the future. Conditions changed in the past. They will change again in the future. My idea would be rather to let the Crowsnest pass agreement remain until a new rate structure, built up on the principle of equity, applied to all parts of the Dominion, can be tried out. I believe if you pass legislation in the Dominion House which would suspend the Crowsnest pass agreement say for a year, and in the mean time remove by legislation this power of discrimination which exists and which we complain of so bitterly, and instruct the Board of Railway Commissioners to frame a tariff policy which, whilst allowing the C.P.R. or the Canadian National Railways to meet its proper obligations and maintain itself efficiently, I believe the Board of Railway Commissioners can advise you within a very short period of time what a tariff of that kind would consist of; that before the meeting of Parliament next year, you could have six or eight or possibly nine months' experience with that tariff and after getting that experience with that tariff you could again take the matter up for consideration and see how it was working out, see whether it was working out equitably and at that time reconsider the situation in the light of the experience you have gained in the meantime.

By the Chairman:

Q. Does any member of the Committee wish to ask any questions?

[Hon. Mr. Oliver.]

By Mr. Hudson:

Q. At one stage of your statement, you said, I think, that the C.P.R., having got consideration for this Crownsnest pass agreement, if it were suspended or set aside, that they might reasonably be asked to compensate for the benefits they would derive, and you suggested the possibility of getting back the land.—A. I don't wish to be misunderstood. We are making no claim for the restoration of the grants that we have made to the C.P.R., but we are making the claim that the consideration of these grants should be made effective. Now the case presents itself to my mind somewhat as follows: The C.P.R. having received very large aid both from the Dominion and the provinces—I don't know whether they received aid from municipalities or not—but I say in considering this matter that due regard should be had for the aid the C.P.R. has received.

Q. You would take into consideration the 3,700,000 acres which they received and the \$3,400,000 which they received from the Dominion at large, and would you take into consideration other advances?—A. I certainly would.

Q. That is, you would take into consideration every assistance given to the C.P.R.?—A. I would.

Q. From the beginning?—A. I don't think you can get at a proper foundation without doing so. I would take into consideration the value of the constructed road as handed over the C.P.R. I would take into consideration the land grant they received from the Dominion Government and all the subsidies they have received from provinces.

By Hon. Mr. Crerar:

Q. Also their exemption from taxation?—A. Also their exemption from taxation, although I might frankly say that in view of the other big things, that seems almost trivial in comparison. There is one thing I want to point out to the Committee that I omitted this morning and I did not overlook very much. I want to point out that the C.P.R. received nearly all their terminal lines in the city of Vancouver or a considerable portion of the townsite as a subsidy also.

By Mr. Hudson:

Q. How would you take that into consideration? That is something that is being dealt with by the Railway Commission, as I understand it?—A. I think the answer is obvious. I would take it into consideration by a system of accounting. I would add together the aggregate amount of the benefits which the C.P.R. has received and deduct that from their capitalization for the purpose of ascertaining what their capital was and the capital on which they were entitled to a return. I don't believe in going to extremes in anything. I believe the C.P.R. received concessions that far exceeded in value any benefit there was to the C.P.R. In other words, they might have received much more benefit from them had they been handled as efficiently as they might possibly have been. I would not go into that question at all. I think what you are entitled to say is what benefit accrued to the C.P.R., not whether they are the maximum benefit, but what benefit have they actually got. In other words, I would want to apply to the C.P.R. the same principle I would want to apply to myself in a system of accounting.

By Hon. Mr. Manion:

Q. Would you take the value of those concessions at the time they were given or the value today?—A. Neither the one nor the other. Practically at the time they were given they had no marketable value because they were unapproachable. A great deal of the value was given because of the furnishing of transportation. For instance, as to the value of the coal fields of the Crownsnest Pass, they had no marketable value until transportation was provided. When transportation was provided they had a very large market value. I think the fair way for the Committee would be to say

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what benefit has the C. P. R. received from them. I think it would be fair to say that according to the best of their judgment they have got all the benefit they could out of what they have parted with.

By Hon. Mr. Stewart (Lanark):

Q. You have suggested that a further temporary suspension of the Crowsnest pass agreement should be effected in order that the Railway Commission might, if possible, work out an equitable scale of rates for the whole of Canada. You have also made suggestions with reference to restitution by the C. P. R. if there was a further temporary suspension. Your suggestions with reference to restitution would be hung up, I suppose?—A. I have already said we are not at the present time asking for restitution, but I do say this, that unless we can get redress from those wrongs which we are suffering, we may be forced into the position of saying “either carry out that agreement with us, or give us control of the rates, or hand back the consideration.”

By Hon. Mr. Stewart:

Q. If there was a further temporary suspension of the agreement, it would be your opinion that the question of restitution should not be dealt with now?—A. I am not sure that my brain is simple enough to meet the suggestions which emanate from the various members of this Committee.

Q. It is a simple question, surely?—A. I want to say that my friend overlooks a part of my suggestion. With the suggestion for a suspension of the Crowsnest pass agreement for a year was the other suggestion that Parliament should wipe out these discriminatory rates. I would not make one without the other. Further than that, I suggest that Parliament should instruct the Board of Railway Commissioners to abolish these discriminatory rates, and prepare a rate structure which would be fair and just to all parts of Canada.

Q. Is it your opinion that the question of railway rates should be transferred from the Board of Railway Commissioners to Parliament?—A. No; but I will put it this way: The Board of Railway Commissioners are a court of investigation clothed with judicial powers. They are subject to Parliament. If Parliament does not agree with the conduct of the Board of Railway Commissioners, they can change the Board of Railway Commissioners or can change the legislation limiting or extending the powers of that Board, or they can give the Board directions which that Board must follow. In other words, Parliament is superior to the Board of Railway Commissioners, and the Board is answerable to Parliament who created it, just the same as Parliament is answerable to the people.

Q. You mean that Parliament could pass new legislation in that direction. There is no such law now, is there?

Mr. EULER: There has always been the right of appeal to the Governor-in-Council.

By Hon. Mr. Stewart:

Q. Is it your idea that that law should be changed?—A. Certainly; that is my recommendation, that Parliament should pass this legislation extending the suspension of the Crowsnest pass agreement and making it obligatory to remove these discriminatory rates, and instruct the Board of Railway Commissioners to construct a general tariff based upon equitable principles. All that involves legislation.

By Mr. Euler:

Q. You say Parliament should pass legislation to do away with discrimination. Just what do you mean by that? There is a clause, as you probably know, in the Railway Act prohibiting discrimination at the present time. Wherein does that fall short of what you want?—A. I have spent all forenoon and most of this afternoon in trying to give you instances of how the discrimination operates.

[Hon. Mr. Oliver.]

Q. I know that, but in what particular would you suggest there should be an amendment to the Railway Act to prevent the conditions of which you complain?
—A. Mr. Chairman, if this Committee will request us to prepare that amendment I will instruct our counsel in British Columbia to prepare it. I feel sure we have legal gentlemen in British Columbia who could draw legislation to meet that condition.

By Mr. McConica:

Q. Would two laws on the same subject be any better than one?—A. Two laws?

By Mr. Euler:

Q. Is there not a law now preventing discrimination?—A. It is not operative.

Q. How are you going to make the other one operative?—A. I do not say what the law is on the matter, but I do say that discrimination exists.

By Mr. Hudson:

Q. And has existed for many years?—A. Yes; and we are asking you to remove it.

Mr. EULER: Mr. Chairman, is it not true that under the present law there shall be no discrimination? If there is already a law with regard to discrimination and that law is not observed, of what use will a new law on that subject be?

Mr. McGEER, K.C.: Mr. Oliver's suggestion was, briefly, that discrimination as between territories should be limited to that which was necessary by water competition, recognizing that there is a certain element of water competition on the St. Lawrence river and on the Great Lakes, and recognizing that the railway companies will have to meet that competition to get the business. We say that that makes a condition in connection with the operation of the railways in eastern Canada which justifies whatever tolls they make there, and we say: "Give to the West a rate structure where such an element as mountain operation is eliminated, and confine it so far as territories are concerned, which can be done by a short amendment to subsection 4 of section 314 of the Railway Act.

By Mr. Hudson:

Q. You favour the removing of discrimination except discrimination against the prairies?

Mr. McGEER, K.C.: Against the whole of western Canada.

By Mr. Hudson:

Q. There is no water competition in the prairies, and the discrimination you propose to leave is discrimination created by water competition alone?

Mr. McGEER, K.C.: Only if the Committee decides that water competition is a factor in compelling rates, and I think the authorities, both the Railway Commissioners of Canada and the Interstate Commerce Commission, found that it was a factor.

By Hon. Mr. Stewart:

Q. Might that result in a lower rate from Vancouver to Fort William than from some place nearer to Fort William?—A. Oh, yes; unquestionably.

The CHAIRMAN: I assume that Mr. Oliver has covered every possible point. Shall we now proceed with another witness?

Hon. Mr. CRERAR: I think the point Mr. Oliver is dealing with now is a very important one, and I would like to ask him if he would favour an amendment to the Railway Act preventing discrimination, or rather laying down the principle that rates should be equitably fixed without regard to discrimination? I understand the Railway Act at the present time states that there shall be no unjust discrimination. Supposing the word "unjust" was eliminated?

Q. Would you favour that?

Mr. McGEER, K.C.: Absolutely.

[Hon. Mr. Oliver.]

By Mr. Hudson:

Q. You would be satisfied with that?

Mr. McGEER, K.C.: Yes; but there is a special provision in the Railway Act permitting a railway to meet water competition. There is no suggestion that that should be removed, but that whatever discriminations are allowed should be confined to that factor. At the present time it is wide open. What is unjust, undue or unreasonable are matters of fact and could be dealt with.

By the Chairman:

Q. I think you would find the task of drafting a section to express that view a very difficult one.

Mr. McGEER, K.C.: I do not think so.

By Mr. Hudson:

Q. You favour the removal of every discrimination except the discrimination that now exists against the prairie provinces?

Mr. McGEER, K.C.: No; we favour the removal of discriminations that we believe to be unnecessary. They are just as much against the prairie provinces as they are against British Columbia.

By Mr. Hudson:

Q. The discrimination against the prairie provinces is a discrimination which is allowed because of water competition?

Mr. McGEER, K.C.: It is not only confined to that but extends to a number of other things.

By Mr. Euler:

Q. Will you tell us exactly what power of discrimination the Board has?

Mr. McGEER, K.C.: There are several sections. Section 314 is the governing section, and it provides for a general power of discrimination.

Mr. MACDONALD: Subsection 2 of Section 314 reads:—

“(2) No reduction or advance in any such tolls shall be made, either directly or indirectly, in favor of or against any particular person or company travelling upon or using the railway.”

Mr. EULER: That does not provide for discrimination because of water competition.

Mr. MACDONALD: No. Section 317, subsection 1 says:—

“(1) The Board may determine, as questions of fact, whether or not traffic is or has been carried under substantially similar circumstances and conditions, and whether there has, in any case, been unjust discrimination, or undue or unreasonable preference or advantage, or prejudice, or disadvantage, within the meaning of this Act, or whether in any case the company has, or has not, complied with the provisions of the three last preceeding sections.”

The three last preceeding sections refer to equality as to tolls and facilities for traffic.

Subsection 2 of Section 317 reads:—

“(2) The Board may by regulation declare what shall constitute substantially similar circumstances and conditions, or unjust or unreasonable preferences, advantages, prejudices, or disadvantages within the meaning of this Act, or what shall constitute compliance or non-compliance with the provisions of the three last preceeding sections.”

Then Section 319 states:—

[Hon. Mr. Oliver.]

"Whenever it is shown that any railway company charges one person, company, or class of persons, or the persons in any district, lower tolls for the same or similar goods, or lower tolls for the same or similar services, than it charges to other persons, companies, or classes of persons, or to the persons in another district, or makes any difference in treatment in respect of such companies or persons, the burden of proving that such lower toll or difference in treatment does not amount to an undue preference or an unjust discrimination, shall lie on the company."

Mr. EULER: That would indicate they may discriminate between districts.

Mr. HUDSON: Oh, no.

Mr. McGEER, K.C.: Section 314, subsection 1 states:—

"(1) All tolls shall always under substantially similar circumstances and conditions, in respect of all traffic of the same description, and carried in or upon the like kind of cars or conveyances, passing over the same line or route, be charged equally to all persons and at the same rate, whether by weight, mileage or otherwise."

Mr. McMURRAY: What do you mean by "circumstances"?

Mr. McGEER, K.C.: That is a question of fact which it is within the power of the Board to find.

By Mr. McMurray:

Q. Would water competition be a circumstance?

Mr. McGEER, K.C.: Yes.

By Mr. McConica:

Q. Do you think we should pass an amendment here to determine what set of facts would constitute unjust discrimination?

Mr. McGEER, K.C.: As between territories. I am prepared to meet the question of similarity of operating conditions, because lumber in British Columbia or in the East moves under exactly the same conditions, and the bulk of the traffic distributed over Canada moves under exactly the same conditions. I believe subsection 4 could be amended to eliminate the power of a railway to say: "Because there is a mountain section to go through here, we are going to load up the whole of the traffic in this district to take care of the cost of the mountain construction," when, as a matter of fact, that mountain construction is common to the system as a whole. I should like to emphasize that for a moment. For instance, we pay what we call the mountain scale of rates in a section of British Columbia 400 miles west of the Rocky Mountains, where the tide water laps the railway for nearly 100 miles, and where you have no cost of construction that is higher than it is on the prairies, or higher than it is in Eastern Canada. Now you go 400 miles east of the Rocky Mountains, and you find no relationship on that same railway system when you look at the rates. That is, it is only the people west of the Rocky Mountains who are charged with the cost of building the railway through the mountains. The people in Saskatchewan and Alberta are relieved, though they are not relieved all the way because when you look at your lumber toll from Vancouver to Calgary, a distance of 640 miles, your Alberta farmer pays \$17.00 a thousand today to move that lumber on a two-day haul. On canned goods and sugar he pays something like 106 per cent more for a thousand mile haul than he pays if it were moving an equal distance from eastern Canada. The subsection is subsection 4 of section 314 (Reads):

"No toll shall be charged which unjustly discriminates between different localities."

I would submit that an addition of a very few words would eliminate the discriminations which now exist.

[Hon. Mr. Oliver.]

Mr. McCONICA: How do they get around that?

Mr. McGEER: They say it is not an unjust discrimination.

Mr. McCONICA: That is a question of fact. How are we going to get at it?

Mr. McGEER: It is a question of fact within the terms of the Railway Act. Parliament says in the Railway Act what the principle and basis are upon which toll shall be charged. Parliament lays down the basis for the Board of Railway Commissioners to go by, and if you say that you cannot put in effect a discrimination other than on the ground of water competition, then you are circumscribing the definition of what is unjust discrimination to that extent.

The CHAIRMAN: How could you construct a railway freight rate without discrimination? Why charge a higher rate for radium than for coal? That would be discrimination.

Mr. McGEER: No, that is provided for—

The CHAIRMAN: It would be discrimination, would it not?

Mr. McGEER: No, because you cannot say that the conditions of carriage of radium, which is a high priced commodity, are the same as transporting coal. We are now trying to wipe that out.

The CHAIRMAN: Then, for instance, the freight rate on lumber say to Montreal from Halifax is practically the same as through the mountains.

Mr. McGEER: I will take it on your own analogy.

The CHAIRMAN: Is that the discrimination which you object to?

Mr. McGEER: No, but what we say is, you carry lumber from Vancouver to Calgary for I think 50 cents, and you carry the same lumber from Vancouver to Winnipeg for 60 cents. In other words, the cost of lumber to the man in Winnipeg on a haul of 864 miles is five cents, while the cost to the man in Calgary, a distance of 642 miles is 55 cents.

The CHAIRMAN: That is a discrimination.

Mr. McGEER: That discrimination is chiefly on the ground that there is cost of construction and operation.

The CHAIRMAN: Not altogether that. It is a case of finding a market for the product, and you have to assist by a lower rate to find a market.

Mr. MITCHELL: It is a question of fact.

Mr. McGEER: I grant you that it is a question of fact, but circumscribing the meaning of "unjust" or "undue" is a fact well within the power of this Committee.

Mr. MITCHELL: Do you suggest striking out the word "unjust"?

Mr. McGEER: I did not suggest that; I suggested that we would willingly agree to it.

Mr. EULER: Would you argue this: That the freight rate on a given commodity should be exactly the same for hauling a certain distance as for hauling that same commodity the same distance say in another province. Take lumber—if you haul lumber 100 miles in British Columbia, and 100 miles in Saskatchewan, should the rate be exactly the same?

Mr. McGEER: I do not think there should be any difference in the West where there is no element of water competition. Furthermore, we say that so far as the Canadian National Railway is concerned, we have better conditions in British Columbia than you have on the prairies. We were able to submit and show—and the Chief Engineer agreed with it—that so far as cars were concerned, the cars on the Canadian National Railways through British Columbia were better than the cars obtaining on either the C. P. R. or the Canadian National on the prairies.

[Hon. Mr. Oliver.]

Q. Would you adopt that as a principle, that there should be no discrimination because of cost of construction or operation and that for the same length of haulage the rate should be the same in one place as in another?

Mr. MITCHELL: Cost of operation and the density of traffic.

Mr. EULER: There you are again!

Mr. MITCHELL: Have you not made all this argument before the Board of Railway Commissioners on this point—

Mr. McGEER: Yes, but what I say is that there has been a change of venue on this.

Mr. MACDONALD: For the purpose of determining the question whether or not this discrimination against your province that you complain of here. That matter is now under consideration by the Board and there has been no decision given on it.

Mr. McGREER: That is within the limits of the Act as it stands to-day.

Q. It has to be determined under the terms of that Act as to whether or not there is an unjust discrimination against your province?—A. That is the issue before the Board.

Q. That is the issue which Mr. Carvell and his associates now have to decide and you are now awaiting this decision. And you come here to ask whether we will consider the question of suspending the Crowsnest pass agreement and you say to the Premier you think it should be suspended for a year, is that it? And then you will get your decision.

Mr. McGEER: What we said was this, that the Board of Railway Commissioners on this agreement have intimated that the Crowsnest pass agreement if it came back, there is going to be a complete shake-up in the rates in Canada, an ironing-out of our discrimination, and I would say if the Committee recommends a restoration of the Crowsnest agreement you have a more difficult Act to deal with as far as the Railway Commission is concerned. Our suggestion is that the conditions have changed since the Crowsnest agreement has gone into effect, that there is possibly a necessity for adjusting rates outside the limits of the Crowsnest agreement and one of the suggestions we make is that you iron-out the discrimination obtaining between British Columbia and the western provinces and in that time to suspend the Crowsnest agreement, and then if it is a more equitable one than the other, wipe out the Crowsnest agreement entirely.

By Mr. MacMurray:

Q. Why do you want to leave the Crowsnest agreement now? Are you afraid of the Board of Railway Commissioners not finding the rates satisfactory? I gather both from the Premier and yourself for some reason or other you wanted to maintain the Crowsnest agreement. You almost intimated that you wanted some legislation to guide the Board of Railway Commissioners as if you were afraid of the ruling of the Board of Railway Commissioners.

Mr. McGREER: I don't say we are afraid of the Board of Railway Commissioners. In fact, having argued the case myself, I have every hope for it.

By Mr. Macdonald:

Q. You expect them to give a decision in your favour?

Mr. McGEER: I have not any doubt of that now.

By Mr. Macdonald:

Q. Why not abrogate the agreement entirely?

Mr. McGEER: I don't know if that is necessary if it is suspended for a year.

[Hon. Mr. Oliver.]

By Mr. Macdonald:

Q. Do you think there is merit in the agreement?

Mr. MCGEER: Unquestionably there is some merit in the agreement.

By Mr. Macdonald:

Q. What is it you wish to retain rather than turning it over to the Board of Railway Commissioners.

Mr. MCGEER: Supposing you decide to establish it without further consideration, the Board of Commissioners makes its finding, British Columbia will simply apply for an adjustment of all rates in British Columbia on the requirements.

By Mr. Shaw:

Q. Suppose we decide the other way?

Mr. MCGEER: Without giving us any adjustment?

By Mr. Shaw:

Q. Why wouldn't you be satisfied to leave it to the Board of Railway Commissioners?

Mr. MCGEER: I would say we were confronted with this condition—

By Mr. Shaw:

Q. You recognize there is some merit in that agreement for British Columbia?

Mr. MCGEER: Potentially there would be. It is very potential at this time.

Hon. Mr. OLIVER: In speaking for the people of British Columbia, I have no hesitation in stating my position. The Board of Railway Commissioners are a court clothed with certain power. If the powers vested in the Board of Railway Commissioners or the judgment they render is not what the people of British Columbia believe to be just, we have the right to come to the Parliament of Canada with an appeal to ask to have that injustice removed, and that is a position that we are not going to in any way qualify by any statement made here to-day.

By Hon. Mr. Mitchell:

Q. Don't you think you should wait until you get that judgment? It is before the court now.

Hon. Mr. OLIVER: Our position is that: whilst we are waiting for this judgment, this reference has been made to this Committee and if we are to believe the evidence here of the railway men, one man says that if the Crowsnest pass agreement is revived, why our rate structure is all shot to pieces. On the other hand another man says, whether it is abrogated, in existence or suspended, we are prepared to make a general reduction on basic commodities. Either of these positions affects the whole rate structure, affects their application to British Columbia. That is why we are here placing British Columbia's case before this Committee.

By Mr. MacMurray:

Q. Granted your right to go over the head of the Board of Commissioners, you still want to have the agreement in existence suspended for the time being?

Hon. Mr. OLIVER: I will put it that way, yes.

Q. You think there is some merit or some protection for you in it?

Hon. Mr. OLIVER: I do think there is merit in it, because up to the present time we have never been able to get recognition for British Columbia on account of the immense subsidies we have given in aid of railway construction.

Q. What advantages has British Columbia in that Crowsnest agreement? Certain reduced rates, is that not so?

Hon. Mr. OLIVER: Yes.

[Hon. Mr. Oliver.]

Q. And you are afraid the Board of Railway Commissioners would not give you that?

Hon. Mr. OLIVER: I am not afraid of anything in regard to the Board of Commissioners. If I have a double barrel shot gun in my hand, why should I yield it up to my opponent?

Q. I think you are right.

By Mr. Shaw:

Q. Which barrel are you shooting on now?

The CHAIRMAN: Call Mr. Lambert.

Mr. SHAW: I would like to express to Mr. Oliver and also to Mr. Greenfield our appreciation of the fact that these gentlemen have come here representing the people of the various provinces and I think their evidence has been helpful to the Committee.

The CHAIRMAN: I quite concur in the suggestion of Mr. Shaw, and extend to Mr. Oliver and Mr. Greenfield our thanks for their kindness in coming here and in making the statements which they did to the Committee, and I have no doubt they will prove of considerable assistance when we come to make our report to Parliament. Gentlemen, I suppose it is hardly worth while to commence with another witness this afternoon. We will meet say at 11 o'clock tomorrow. Mr. Lambert will be the first witness. I understand Mr. Reid and Mr. Langley are here from the west and they desire to make a number of statements also. After we get through with them we have Mr. Symmington.

The Committee adjourned until 11 o'clock a.m., Tuesday, May 30, 1922.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 7—TUESDAY, MAY 30, 1922

NAMES OF WITNESSES

Mr. Lambert, Council of Agriculture.

Hon. Geo. Langley, President, Saskatchewan Grain Elevator Co.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

Statement submitted by Hon. John Oliver on Monday, 29th May, at p. 148 of Minutes of Evidence.

COMPARATIVE STATEMENT

SHOWING rates that would be in effect on Green Apples in carloads, from Vancouver eastward, and Montreal westward, for similar distances, if the Rates provided for in 60-61 Victoria, Chapter 5, being An Act to authorize a Railway through the Crow's Nest Pass, are re-established on the 7th July, 1922.

From	To	Miles	Rates in cents per 100 pounds
Vancouver.....	Yale.....	102	39
Montreal.....	Inkerman.....	102	29
Vancouver.....	Kamloops.....	250	60
Montreal.....	Wylie.....	253	37½
Vancouver.....	Albert Canyon.....	401	77
Montreal.....	Verner.....	399	50
Vancouver.....	Stobart.....	693	116
Montreal.....	Franz.....	698	79
Vancouver.....	Suffield.....	792	126
Montreal.....	Heron Bay.....	802	79
Vancouver.....	Herbert.....	985	128
Montreal.....	Fort William.....	999	42
Vancouver.....	Broadview.....	1,202	128
Montreal.....	Barclay.....	1,203	59
Vancouver.....	Marquette.....	1,437	128
Montreal.....	Marquette.....	1,446	65½
Vancouver.....	Wolseley.....	1,170	128
Montreal.....	Wolseley.....	1,713	83½

Statement submitted by Hon. John Oliver on Monday, 29th May, at p. 153 of Minutes of Evidence.

COMPARATIVE STATEMENT

RATES on Apples, carloads, from Okanagan Landing and Toronto to Calgary, Regina and Winnipeg, showing difference in mileage rates, percentage difference in mileage and rates. Also earnings per ton per mile.

From	To	Miles	—	Rates in cents 100 pounds
Toronto.....	Calgary.....	2,056		158
Okanagan Landing.....	".....	359		87
Difference.....		1,697		71
Mileage from Toronto.....			472.7% longer	
Rate from Toronto.....			81.6% more	
Earnings per ton from Toronto per mile.....			.0153	
Earnings per ton mile from Okanagan Landing.....			.0484	
Toronto.....	Regina.....	1,590		127
Okanagan Landing.....	".....	825		113
Difference.....		665		14
Mileage from Toronto.....			92.7% higher	
Rate from Toronto.....			12.3% more	
Earnings per ton from Toronto per mile.....			.0159	
Earnings per ton from Okanagan Landing per mile.....			.0273	
Okanagan Landing.....	Winnipeg.....	1,183		113
Toronto.....	".....	1,233		85
Difference.....		50		28
Mileage from Toronto.....			4.2% longer	
Rate from Okanagan Landing.....			30.5% more	
Earnings per ton per mile from Toronto.....			.0137	
Earnings per ton per mile from Okanagan Landing.....			.0191	

Minimum Weight from Okanagan Landing June 1st to September 30th, 30,000 pounds and 36,000 pounds October 1st to May 31st.

Tariffs: C.P.R. W. 4083 C.R.C. W. 2464
C.F.A. 5-E " 88

(See page 5, Series 2, Book of Exhibits).

COMMITTEE ROOM No. 425,
HOUSE OF COMMONS,
TUESDAY, May 30th, 1922.

The Select Standing Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian Industry generally of the expiration of the suspension of the Crowsnest Pass agreement on July 6th next, met at 11 o'clock, a.m., the Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: Our first witness this morning is Mr. Lambert of the Council of Agriculture.

NORMAN LAMBERT called and sworn.

WITNESS: Mr. Chairman and gentlemen, in urging the continuation of the Crowsnest Pass agreement, The Canadian Council of Agriculture, while representing particularly the organized farmers of the three prairie provinces, is speaking for the whole agricultural industry in the Middle West. Because The Canadian Council of Agriculture is also representative of organized farmers in Ontario and the Maritime Provinces, our argument in favour of the revival of the Crowsnest Pass agreement is made in behalf, not only of the Western prairies, but also with the broad national interest at heart. The farmers of Eastern Canada have never sought any discriminatory legislation at the expense of their Western friends, and we do not think that they care to do so now.

In order also that the claim for the re-establishment of the Crowsnest Pass agreement may not be represented by its opponents as merely the demand of a group of Western farmers, it should be noted that the Boards of Trade without exception, retail merchants, wholesale dealers and manufacturers in the West, are equally interested in demanding the restoration of this agreement. It is particularly pleasing to note that the vice-president of the Canadian Manufacturers' Association has expressed the opinion from Toronto that in the national interest, the Western farmer again should have the advantage of the lower rates on grain, as embodied in the Crowsnest Pass agreement. This important feature of that agreement is recommended by the Canadian Manufacturers' Association, because the members of that organization know full well that such a reform in the present schedule of freight rates west of the Great Lakes will effect a marked improvement in the purchasing power of the prairie farmer. For a similar reason, it is difficult to understand why, in their own interests, the representatives of the two lines of railway in this country, should have combined before this Committee to prevent the revival of the Crowsnest Pass Agreement; and in doing so, intimate that the adoption of the Crowsnest Pass agreement would involve a sacrifice for all the other parts of Canada outside the Middle West.

The Crowsnest Pass agreement provides first for a special rate on grain and grain products, eastbound to the head of the lakes; secondly, for special rates on certain staple articles, principally farm implements, hardware, and green and dried fruits, westbound from the head of the lakes and points east thereof.

Since the beginning of 1918, there have been three general increases in freight rates, and two small reductions, the net result of which has been to leave rates on grain at the present time from 50 to 70 per cent higher than they were at the end of 1917. The president of the Canadian Pacific Railway has proposed a reduction on

[Mr. Norman Lambert.]

grain rates in lieu of the Crowsnest Pass agreement, of 16.6 per cent, which would mean simply a return to the level established by the second general freight rate increase, as at August, 1918. This would mean that grain rates would still be from 25 per cent to 33½ per cent higher on the average from western points to the head of the lakes, than they were in 1917. We want, at least, to have the level of 1917 re-established, which is practically the same as the Crowsnest Pass agreement.

The following comparative statement of rates on grain shows the situation in the west at it existed in 1917, and now:—

To Fort William From	Comparative rates in cents per 100 pounds		
	1917	Sept., 1920	Now
Winnipeg . . . . .	.10	.19	.17
Brandon . . . . .	.13	.23½	.21
Virten . . . . .	.15	.26½	.23½
Qu'Appelle . . . . .	.17	.31	.27½
Moose Jaw . . . . .	.18	.32½	.29
Swift Current . . . . .	.20	.35	.31
Medicine Hat . . . . .	.22	.38	.33½
Calgary . . . . .	.24	.40½	.36

This table shows that the reductions that have taken place are practically negligible, and that the rates are still 50 to 70 per cent higher than they were in 1917.

Our claim for a return to the lower rates for grain is based, first, on the fact that grain represents a very large proportion of the total railway traffic in the west; as admitted by the president of the C.P.R. when he told this Committee that 45.3 per cent of the total traffic of Western Canada was in grain; secondly, on the fact that the earnings are higher and the operating expenses are lower in connection with grain than any other commodity which the railways carry in Western Canada, and thirdly, on the fact that the earnings from the western lines of railway in proportion to the total earnings from the entire systems throughout the Dominion, represent a much larger percentage than from any other area.

With regard to the comparative earning capacity of Western and Eastern lines, it is hardly necessary to add anything to the evidence which during the past two years has been placed before the Board of Railway Commissioners by Mr. Symington. The Canadian Pacific Railway in particular receives by far the largest part of its net earnings from Middle Western Canada. The records of the C. P. R. for 15 years from 1907 to 1920, show that the West has been the consistent source of the greater portion of the profits of that railway.

The net earnings of the two districts, before providing for fixed and other charges since 1907, show the following results, in five-year periods:

	Eastern lines	Western lines
1907-11	\$43,500,000 00	\$ 91,500,000 00
1912-16	60,000,000 00	152,500,000 00
1916-20	70,500,000 00	144,500,000 00

During the ten years from 1910 to 1920, the Canadian Pacific Railway from their railway operations alone, that is, excluding any special income from steamships, land sales or other sources, have paid in dividends \$219,136,635, and in addition have accumulated a net surplus of \$116,476,612, this making a total of \$335,613,247. Figured from the percentage that the western lines have contributed to the net earnings of this railway as compared with what the eastern lines have contributed during this ten-year period, the figures show that of this \$335,000,000 profits distributed in dividends and set aside to surplus, the western lines have contributed \$232,965,486, as compared to eastern lines with \$102,647,761.

Splitting these figures up into periods the figures show:—

	Eastern lines	Western lines
1910-11	\$17,121,000 00	\$ 35,885,000 00
1912-16	44,202,000 00	112,378,000 00
1916-20	41,324,000 00	84,702,000 00

[Mr. Norman Lambert.]

The above figures show beyond any possibility of contradiction the fact that Western Canada has been producing profits for the C.P.R. out of all proportion to Eastern Canada. The long hauls with comparatively low operating costs and the large proportion of the most profitable kind of tariff, such as grain, live stock, coal and lumber, all contributed to this result. All these classes of traffic are among the most profitable to the railway companies, but the grain traffic is the most profitable of all.

When reduced to the individual producer of grain on the prairie, what does all this lucrative traffic for the railways amount to at the present time?

What the present excessive freight rates as compared with the 1917 rates actually mean to the western farmer, is easily computed from the records of cars loaded at country points, and the Government Inspection Records during the fall of 1921. These figures show that on cars of grain loaded at country points between September 1st and November 30th, 1921, the farmers paid approximately eleven million dollars more in freight to the railway companies than they would have on the basis of 1917 rates. On the per car basis, the average freight in Manitoba was \$55 per car in excess of the 1917 freight; in Saskatchewan \$97 excess, and in Alberta \$111 excess. The average over the three provinces works out at \$92 per car. On the 1920-21 crop, figuring from September 1st, 1920, to August 31st, 1921, the amount paid by farmers for freight in marketing their grain was about seventeen million dollars more than it would have been on the basis of the 1917 rates. Altogether, in the fifteen months, from September, 1920, to December, 1921, the western producers of grain paid some twenty-eight million dollars more in freight charges on grain shipments, than they would have paid in 1917.

Put it another way. During the three months of heavy grain shipments last fall, when the railways were taking 11 million dollars more out of the Western farmers in freight charges on grain than they would have received on the basis of 1917 rates, the value of grain on the Canadian markets was lower in its relation to other commodities than it was before the war. The value of wheat to farmers, delivered at country points, was so much lower for the first five months of the present marketing year, that 186,000,000 bushels so delivered, as compared with 159,000,000 bushels in the very same period one year previously, were worth only \$170,000,000 as against \$315,000,000. To illustrate further, the level of wholesale prices of commodities in Canada from September 1, 1912, to August 31, 1914, may be represented as 100 per cent. Wheat values in relation to that pre-war average were at their peak early in 1920 when their index was around 280 per cent. By August, 1921, this figure was down to 115.7 per cent, and the decline became precipitous in the following months. September showed 96.6 per cent; October 76.4 per cent; November 74.0 per cent; December, 74.6 per cent; and January (1922) 76.3 per cent. In other words, last autumn when freight rates on grain were from 55 to 75 per cent higher than in 1917, the value of wheat to the farmer was from 4 to 26 per cent lower than in the years 1912 to 1914. The extra \$92 per car load which the railways received on grain shipments last fall, furthermore, meant in terms of Number 1 Northern wheat, at country points, just an additional 100 bushels from the farmer, or, on the basis of last season's yield, the produce of $7\frac{1}{2}$ acres.

So much for the direct burden imposed by the railways upon the producer of grain. Next, consider the indirect results of the present excessive grain rates combined with the effect of the enhanced cost of the several articles which formerly were transported from the East to the West under the Crowsnest Pass agreement. The railways themselves have suffered a decided reduction in tonnage from Eastern to Western points, as the result of the economic impasse which has been caused in large part by excessive transportation charges, and, as an additional result, almost every department of business in Western Canada has experienced a severe depression during the past fifteen months. Farm implements under ordinary con-

[Mr. Norman Lambert.]

ditions, are supplied in large numbers to middle Western Canada, and they were one of the chief articles to be included in the Crownsnest Pass schedule of rates. To convey an idea of what the increased freight charges on this class of traffic from Eastern to Western Canada mean to the average prairie farmer, we have taken, as an example, the following actual equipment for a half-section farm: Gang Plow, 14 inches, Steel Harrow, Boss Harrow, Walk Plow, Cultivator, Mower, Rake, Binder, 8 ft., 2 Farm Wagons, 2 Wagon Boxes, Grain Tank, Disc Harrow, Weed Drill, Garden Cultivator, Cream Separator, Set Farm Sleighs, Manure Spreader, Surface Packer, Buncher, Harrow Cart, Single Harness and Collar, Double Harness and Collar, 4 Set Harness and Collar, Incubator, Pickler, Fanning Mill, Democrat, Cutter, Buggy.

Article	Weight	Eastern Ontario to Winnipeg Distributing to NEEPAWA, MAN.						
		1916			1922			
		C.L. Rate to Winnipeg, Man.	L.C.L. Rate Beyond	Freight Cost Dest'n	C.L. Rate to Winnipeg, Man.	L.C.L. Rate Beyond	Freight Cost Dest'n	Increased Freight Cost
Cents per 100	Cents per 100		Cents per 100	Cents per 100				
Gang Plough, 14".....	833	62	37	\$ 8.25	82½	56	\$ 11.54	\$ 3.29
Steel Harrow.....	322	62	37	3.19	82½	56	4.46	1.27
Boss Harrow.....	381	62	43	4.00	82½	65	5.62	1.62
Walk Plough.....	113	62	37	1.12	82½	56	1.57	.45
Cultivator.....	1,150	62	37	11.38	82½	56	15.93	4.55
Mower.....	800	62	37	7.92	82½	56	11.08	3.16
Rake.....	475	62	37	4.70	82½	56	6.58	1.88
Binder, 8 ft.....	1,500	62	37	14.85	82½	56	20.78	5.93
2 Farm Wagons.....	2,800	62	37	27.72	82½	56	38.78	11.06
2 Wagon Boxes.....	880	62	37	8.71	82½	56	12.19	3.48
Grain Tank.....	650	62	43	6.82	82½	65	9.59	2.77
D. Harrow.....	700	62	37	6.93	82½	56	9.70	2.77
Seed Drill.....	1,620	62	37	16.04	82½	56	22.36	6.32
Gard. Cultivator.....	60	62	37	.59	82½	56	.83	.24
Cream Separator.....	265	62	37	2.62	82½	56	3.67	1.05
Set Farm Sleighs.....	580	62	37	5.74	82½	56	8.03	2.29
Manure Spreader.....	1,760	62	37	17.43	82½	56	24.38	6.95
Surface Packer.....	1,900	62	37	18.81	82½	56	26.32	7.51
Buncher.....	50	62	37	.49	82½	56	.69	.20
Harrow Cart.....	100	83	43	1.26	1.38½	65	2.04	.78
Single Harness and C.....	38	83	43	.48	1.38½	65	.77	.29
Double Harness and C.....	56	83	43	.71	1.38½	65	1.14	.43
4 Set Harness and C.....	440	83	43	5.54	1.38½	65	8.95	3.41
Incubator.....	100	83	43	1.26	1.38½	65	2.04	.78
Pickler.....	50	83	64½	.74	1.38½	97½	1.18	.44
Fanning Mill.....	214	83	64½	3.16	1.38½	97½	5.05	1.89
Democrat.....	760	83	64½	11.21	1.38½	97½	19.94	8.73
Cutter.....	365	83	1.07½	6.95	1.38½	1.62½	10.99	4.04
Buggy.....	600	83	.64½	8.85	1.38½	97½	14.16	5.29
				207.47			300.34	92.87

Article	Weight	Eastern Ontario to Saskatoon Distributing to FUSILIER, SASK.						
		1916			1922			Increased Freight Cost
		C.L. Rate to Saskatoon, Sask.	L.C.L. Rate Beyond	Freight Cost Destination	C.L. Rate to Saskatoon, Sask.	L.C.L. Rate Beyond	Freight Cost Destination	
		Cents per 100	Cents per 100		Cents per 100	Cents per 100		
Gang Plough, 14'	833	94	47	\$11 75	\$1-39½	71	\$17 53	\$5 78
Steel Harrow	322	94	47	4 74	1-39½	71	6 78	2 04
Boss Harrow	381	94	56	5 72	1-39½	84	8 51	2 79
Walk Plough	113	94	47	1 59	1-39½	71	2 38	0 79
Cultivator	1,150	94	47	16 22	1-39½	71	24 21	7 99
Mower	800	94	47	11 28	1-39½	71	16 84	5 56
Rake	475	94	47	6 70	1-39½	71	10 00	3 30
Binder, 8 Ft.	1,500	94	47	21 15	1-39½	71	31 53	10 43
2 Farm Wagons	2,800	94	47	39 48	1-39½	71	60 94	21 46
2 Wagon Boxes	880	94	47	12 41	1-39½	71	18 52	6 11
Grain Tank	650	94	56	9 75	1-39½	84	14 43	4 68
D. Harrow	700	94	47	9 87	1-39½	71	14 74	4 87
Seed Drill	1,620	94	47	22 84	1-39½	71	34 10	11 26
Gard. Cultivator	60	94	47	0 85	1-39½	71	1 26	0 41
Cream Separator	265	94	47	3 74	1-39½	71	5 58	1 84
Set Farm Sleighs	580	94	47	8 18	1-39½	71	12 21	4 03
Manure spreader	1,760	94	47	24 82	1-39½	71	37 05	12 23
Surface Packer	1,900	94	47	26 79	1-39½	71	40 00	13 21
Buncher	50	94	47	0 71	1-39½	71	1 05	0 34
Harrow Cart	100	1-23	56	1 79	1-98½	84	2 83	1 04
Single Harness and C.	38	1-23	56	0 68	1-98½	84	1 07	0 39
Double Harness and C.	56	1-23	56	1 00	1-98½	84	1 58	0 58
4 Set Harness and C.	440	1-23	56	7 88	1-98½	84	12 43	4 55
Incubator	100	1-23	56	1 79	1-98½	84	2 83	1 04
Pickler	50	1-23	84	1 04	1-98½	1 26	1 26	0 58
Fanning Mill	214	1-23	84	4 45	1-98½	1 26	6 94	2 51
Democrat	760	1-23	84	15 73	1-98½	1 26	24 66	8 93
Cutter	365	1-23	1 40	9 60	1-98½	2 10	14 91	5 31
Buggy	600	1-23	84	12 42	1-98½	1 26	19 47	7 05
				\$294 95			\$446 05	\$151 10

Article:	Weight:	Eastern Ontario to Calgary Distributing to LACOMBE, ALTA.						
		1916			1922			Increased Freight Cost
		C.L. Rate to Calgary, Alta.	L.C.L. Rate Beyond	Freight Cost Destination	C.L. Rate to Calgary, Alta.	L.C.L. Rate Beyond	Freight Cost Destination	
		Cents per 100	Cents per 100		Cents per 100	Cents per 100		
Gang Plough, 14'	833	1 15	37	\$ 12.66	1.66½	56	\$ 18.53	\$ 5.87
Steel Harrow	322	1 15	37	4.89	1.66½	56	7.16	2.27
Boss Harrow	381	1 15	43	6.02	1.66½	65	8.82	2.80
Walk Plough	113	1 15	37	1.72	1.66½	56	2.51	0.79
Cultivator	1,150	1 15	37	17.48	1.66½	56	25.50	8.11
Mower	800	1 15	37	12.16	1.66½	56	17.80	5.64
Rake	475	1 15	37	7.22	1.66½	56	10.57	3.35
Binder, 8 ft.	1,500	1 15	37	22.80	1.66½	56	33.38	10.58
2 Farm Wagons	2,800	1 16	37	42.56	1.66½	56	62.30	19.74
2 Wagon Boxes	880	1 15	37	13.38	1.66½	56	19.58	6.20
Grain Tank	650	1 15	43	10.27	1.66½	65	15.05	4.78
D. Harrow	700	1 15	37	10.64	1.66½	56	15.58	4.94
Seed Drill	1,620	1 15	37	24.62	1.66½	56	36.05	11.43
Gard. Cultivator	60	1 15	37	0.91	1.66½	56	1.34	0.43
Cream Separator	265	1 15	37	4.03	1.66½	56	5.90	1.87
Set Farm Sleighs	580	1 15	37	8.82	1.66½	56	12.91	4.09
Manure Spreader	1,760	1 15	37	26.75	1.66½	56	39.16	12.41
Surface Packer	1,900	1 15	37	28.88	1.66½	56	42.28	13.40
Buncher	50	1 15	37	0.76	1.66½	56	1.11	0.35
Harrow Cart	100	1 47	43	1.90	2.34½	65	3.00	1.10
Single Harness and C.	38	1 47	43	0.72	2.34½	65	1.14	0.42
Double Harness and C.	56	1 47	43	1.06	2.34½	65	1.67	0.61
4 Set Harness and C.	440	1 47	43	8.36	2.34½	65	13.18	4.82
Incubator	100	1 47	43	1.90	2.34½	65	3.00	1.10
Pickler	50	1 47	64½	1.06	2.34½	97½	1.66	0.60
Fanning Mill	214	1 47	64½	4.53	2.34½	97½	7.10	2.57
Democrat	760	1 47	64½	16.07	2.34½	97½	25.23	9.16
Cutter	365	1 47	1 07½	9.29	2.34½	1 62½	14.49	5.20
Buggy	600	1 47	64½	12.69	2.34½	97½	19.92	7.23
				\$314.15			\$466.01	\$151.86

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The cost of shipping these implements from Eastern Ontario to Winnipeg, Saskatoon and Calgary at carload lot rates, and thence to an average local point in each of the Western provinces on the basis of less than carload lots, is shown for the years 1916 and 1922. The comparison reveals this result, that the farmer living near Neepawa, Manitoba, would have to pay to-day in freight charges for the foregoing equipment of implements, \$92.87 more than he would have paid in 1916; the farmer living near Fusilier, Saskatchewan, would pay \$151.10 more than in 1916; and the farmer near Lacombe, Alberta, would pay \$151.86 more than in 1916. Reducing these figures to an average basis, it means that the farmer on a half-section in Western Canada has to pay in freight charges on a set of implements nearly \$132 more to-day than in 1916. That means in terms of Number 1 Northern wheat at last fall's average price at country points, 140 bushels, or the produce from nearly 11 acres of land. That is the effect of freight charges which, in 1916, cost a half section farmer in Saskatchewan \$294.95 on an equipment of implements, and to-day \$446.05. The total selling price of this same set of implements to the farmer from the dealer amounts to something like \$2,262, so that the freight charges represent about one-fifth of the dealer's actual selling price.

To appreciate the much heavier burden imposed upon the Western farmer by the freight rates than upon his Eastern brother, it is only necessary to compare the carload rates on farm implements in Ontario and Quebec with those relating to the West. The following table tells its own story:

From	C. L. Rate		Increase per car
	1916	1922	
Toronto to			
Kitchener, Ont.	\$ 25 00	\$ 44 00	\$ 19 00
Haileybury, Ont.	65 00	116 00	51 00
Sudbury, Ont.	46 00	82 00	36 00
Owen Sound, Ont.	32 00	55 00	23 00
Laurier, Que.	52 00	94 00	42 00
Valleyfield, Que.	42 00	75 00	33 00
Winnipeg, Man.	124 00	202 00	78 00
Saskatoon, Sask.	188 00	298 00	110 00
Calgary, Alta.	230 00	362 00	132 00

That is the increases in Western Canada from 1916 are \$78 to \$132 per car as against \$19 to \$51 including Ontario and Quebec.

By Hon. Mr. Manion:

Q. Are the percentages higher, Mr. Lambert, in the Prairie provinces or in those western points than in the eastern?—A. Roughly, I should say yes. I have not worked them out, but I think they are.

What has been the effect on the volume of Westbound traffic in farm implements of the persistent maintenance of freight rates at the increased standards inaugurated in 1918? One of the large implement firms whose business in Western Canada represents about one-fifth of all that is transacted in that line, shows that 1,545 carloads of machinery were shipped West in 1917; 1,489 carloads in 1918; 1,151 carloads in 1919; 1,713 carloads in 1920; and only 866 carloads in 1921. A conservative estimate of the total shipments of farm implements into Western Canada from the East in 1917 and 1921 would be 7,725 carloads and 4,330 carloads respectively.

A comparison of the traffic in hardware between the East and West in the years 1917 and 1921 tells the same story of decreased volume. A large wholesale hardware firm which does about forty per cent of the total hardware business transacted in the Middle West, shows the following tonnage shipped from the East in 1917 and 1921:

	Tonnage for year	
	1917	1921
	Lbs.	Lbs.
Nails, spikes, washers, nuts, horse shoes	5,720,290	2,538,855
Pipe	1,892,811	1,611,814
Barb wire	6,056,941	3,994,045
Rope	430,000	53,658
Stoves	759,055	258,940
Paint	210,000	171,380
Steel sheets	780,000	952,028
Pumps	656,000	105,160
General hardware	6,162,510	2,459,043

The difference which the re-establishment of the Crowsnest Pass agreement would make in the present freight charges on carload shipments of other articles, in addition to those already mentioned, to Winnipeg, Regina and Calgary from Fort William and points East thereof may be seen in the following statement:

	Winnipeg	Regina	Calgary
	Per car	Per car	Per car
Binder twine	\$ 45 60	\$ 79 20	\$115 20
Furniture	74 20	81 90	107 80
Glass	135 00	139 50	190 50
Nails and spikes	94 50	99 00	150 00
Barbed wire	} 135 00 / 139 50	} 139 50	} 190 50
Bar iron			
Band iron			
Canada plates			
Galvanized iron			
Sheet iron	94 50	99 00	150 00
Paints, leads and oils	135 00	139 50	190 50
Paper and roofing	108 00	139 50	190 50
Apples in barrels	99 00	135 00	166 50

First by cutting too drastically into the direct monetary return which the farmer receives for his grain; and secondly by adding far too heavy a charge to the prices of staple commodities which the farmer has to purchase from the east, the present schedule of freight rates is making it impossible for the agricultural industry of Western Canada to succeed as it should succeed in such a pioneering country with large areas of fertile land still unbroken. And incidentally, every legitimate business interest in the country is being adversely affected. Under such conditions, or without the guarantee of a return to the level of freight rates which prevailed in 1917, Middle Western Canada holds no promise for the new settler who is being asked to seek a living on the land. For the Federal Government or any other agency in Canada to launch an immigration campaign, without first seeing an adequate readjustment of transportation charges to lower levels, would be to waste so much time and money. The whole agricultural industry of Western Canada, at the present moment, is an effective argument against such folly.

The revival of the Crowsnest Pass agreement is being sought because of the economic benefits it promises; and it has also been expected in the light of the natural fulfilment of a contract. The Canadian Pacific Railway in particular was an integral part of Confederation. It has a double reason for endeavouring to maintain unity and harmony throughout a Dominion which at the present time bears evidence of the strain and stress of sectionalism. Failure to re-establish the Crowsnest Pass agreement as a part of the statutes of this country, will be viewed by the great mass of the people of the Middle West as a breach of faith, and will tend to create a spirit of distrust and ill-will on the part of that new and unsettled section of the Dominion towards those who may perhaps fail to stand by an agreement. On the ground of economic advantage to the entire country and on the higher ground of justice, this agreement ought to be re-established.

The CHAIRMAN: Does any member of the Committee desire to ask Mr. Lambert any questions?

[Mr. Norman Lambert.]

By Hon. Mr. Manion:

Q. The wheat index is 96 in September last as compared with 100 in the three or four years previous to the war. When did that figure start going down?—A. I will show you the basis on which that was estimated. Those figures that I now hand you were prepared by Mr. Sanford Evans, the statistician of the Winnipeg Grain Exchange.

By Hon. Mr. Crerar:

Q. What point does this cover particularly?—A. The difference in the relative value of grain now and before the war.

By Mr. Hudson:

Q. Does it give the peak prices, the prices in 1919 and 1920?—A. Yes.

By Mr. Michaud:

Q. You are in favour of a rate reduction on grain, the principal industry of the West. Our principal industries in the East are lumber, grain, hay and dairying industries, including potatoes. Would you be in favour of a reduction in the rate from the East to the West?—A. I believe—and in saying this I think I represent the opinion of the organizations that are affiliated with the Council of Agriculture—that there would be no objection whatever to those people in the eastern provinces getting any reduction they were able to secure in connection with freight rates.

By Mr. Boys:

Q. I think we may assume that there is a very strong feeling throughout Canada that there must be a reduction in freight rates in all parts of the country. Speaking for myself, I am absolutely in favour of that. Do you feel that the Prairie Provinces are entitled to any preferential or special treatment?—A. All I can say is that the Crowsnest Pass schedule of rates is the basis that the Western people most nearly estimate now as the most advantageous basis for rates in that part of the country.

Q. That is hardly an answer to my question. I am aware that the agreement does accord preferential treatment. I am asking apart from that agreement do you think the Prairie Provinces are entitled to any preferential treatment?—A. The people in the Prairie Provinces would not concede the suggestion that the Crowsnest Pass agreement at the present time gives them preferential treatment.

Q. Why not?—A. Simply because on the basis of the earnings and the volume of traffic, cheap traffic produced in the Prairie Provinces to-day, and in the light of the net returns to the railways, and as reflected, too, in the volume of business that is being done from Eastern Canada in the West to-day, it is anything but a preferential treatment.

Q. Then I take it it is not preferential treatment?—A. Not really.

Q. I mean really, of course. And therefore you do not advocate any special treatment for the Prairie Provinces?—A. I advocate no special privilege whatever.

Q. Was there any reason then why the Dominion Railway Commission, which has been charged with the regulation of freight rates for the whole of Canada, should not be called upon to establish equitable rates throughout Canada?—A. I think that the Board of Railway Commissioners has a problem to face in connection with the reduction of rates in this country that will probably be an immediate solution when its decision is brought down. That covers other commodities, probably, and those included in the Crowsnest Pass agreement.

Q. Undoubtedly. But if you are not seeking any preferential treatment and do not contend that the Crowsnest Pass agreement gives you that, I do not see why

[Mr. Norman Lambert.]

you would not be satisfied to leave to the Dominion Railway Commission the entire equitable adjustment of freight rates for the whole of Canada?—A. Well, simply because in that connection the Crowsnest Pass agreement is a statutory agreement and it represents very very clearly a rate on Western production which we want to make certain of.

Q. But if it does not give you any preferential treatment why cling to it?—A. Simply because we are not altogether certain that the Railway Board will recognize what we think is in the national interest as well as the Committee will.

Q. Are you not willing to trust them to do that? They are an independent body appointed for that purpose?—A. Oh, I have not any suspicion of the Railway Board.

Q. Then why is it not fair, if you are not getting special treatment under that agreement, to leave the whole question to the Dominion Railway Board?—A. We want to maintain that in the statutes of this country; that is really as important a phase of this question as getting a reduction.

Q. Is not that treating that agreement as if it was one between the C. P. R. and the Prairie Provinces rather than with the Dominion Government?—A. Because the Parliament of Canada implemented that agreement you cannot say it is an agreement between the Prairie Provinces; it is not on the same basis as the Manitoba agreement. It was a national agreement. I might say further in connection with that that this question that you are referring to of preferential treatment, of discrimination, is raised after twenty years of practice. If that thing had been a preferential arrangement for the Prairie Provinces alone—

Q. I am not asking you that?—A. I am pointing out that if there was the evil in it, there were times when the Prairies were not as well represented in this House as they are to-day, and you could have rectified the thing long ago. Why is it being raised now?

Q. You and I see eye to eye on that. I admit it is a national proposition. Then if it is, and if perchance the two parties to that agreement both should desire to cancel it, on what ground, legal or equitable, should they not be permitted to do so?—A. I cannot answer that question.

By Hon. Mr. Manion:

Q. You will admit that in that twenty years from 1896 or 1897 on, circumstances have changed a great deal. I mean, in other words, that previous to 1904 or later there were no other railways out there but the C. P. R. Now there is a railway which, if it makes a deficit, the people of this country have to foot the bill. The circumstances have changed. Do you not admit that under those circumstances perhaps it is open to debate as to whether this agreement might or might not be suspended?—A. I say this: You know very well, having lived at the head of the Lakes, the development that has taken place in the grain business in the last twenty years. Your elevator capacity at the head of the Lakes is a pretty fair index of the increase of the volume of the grain traffic in the middle West. The different circumstances has resulted in a greatly increased volume of traffic, and also a great increase in the net earnings of the railways on that traffic in the country affected by the Crowsnest Pass agreement. If anything, I think the advantage has been with the railways.

Q. You would be absolutely correct if we had remained with only one railway. Unfortunately, from the standpoint of the whole country, we built three. That is also a different circumstance?—A. That is so.

By Mr. Boys:

Q. Have you had an opportunity of perusing the figures which were given to the Committee by Mr. Hanna and by Mr. Beatty, and by others, in connection with the

[Mr. Norman Lambert.]

effect that the restoration of the Crowsnest Pass agreement would have upon the earnings of the two railway companies, the National Railways and the Canadian Pacific Railway?—A. I read the speeches of both Mr. Beatty and Mr. Hanna, and I think that Mr. Beatty said a reduction would mean something like \$7,000,000.

Q. I am quoting now from page 59 of No. 2 of the Proceedings of this Committee. Mr. Beatty there says that on grain the loss would be \$7,000,000, and that they would fall short of meeting their fixed charges and dividends by \$15,000,000, taking for this year the same traffic that they had for the year 1921. Have you any reason to disagree with those figures?—A. I have no basis whatever for testing the figures of the C. P. R. any more than any other member of this Committee has, but I do not believe that those figures represent a fair estimate of the case, because I do not think the Canadian Pacific Railway would lose at all as the result of the reinstatement of the Crowsnest Pass agreement.

Mr. HUDSON: That statement by Mr. Beatty does not necessarily refer to the Crowsnest Pass agreement.

Mr. BOYS: I so understood it.

Mr. HUDSON: So did I, but it has been pointed out that that is the loss over what would have been got under the old basis.

Mr. BOYS: The question put to Mr. Beatty by the Chairman was as follows:

“Q. What did I understand you to say, Mr. Beatty, would be the net result in finance to the C.P.R., if the Crowsnest Pass agreement were put into effect? Is it \$7,000,000 of loss?—A. On grain.

“Q. And \$15,000,000 of an estimated total loss?—A. Not total loss, but we would fall short of meeting our fixed charges and dividends by that amount. That is only an estimate.”

Mr. HUDSON: That means that the reduction already made is included in the \$15,000,000.

Mr. BOYS: No; that means taking the rates established by the Crowsnest Pass agreement and applying them to the same volume of business that they had in 1921, that would be a result of their earnings.

Mr. HALBERT: That was not counting in the reductions in wages.

Mr. BOYS: I agree with that.

Mr. HUDSON: I did not want it to go unchallenged, because Mr. Beatty is coming back here again, and I think when he comes he will probably explain that.

The CHAIRMAN: I understood it in the way Mr. Boys has stated it.

Mr. BOYS: I have no desire to adopt figures that are not correct. If they are wrong, I will be glad to be corrected by Mr. Beatty.

Q. I now quote from page 69 of No. 3 of the Official Report of these Proceedings, where a statement appears under “Exhibit B.” Mr. Hanna prefaces this statement with the following language: “Restatement of 1921 operating results under present estimated operating conditions and under rates in effect prior to September 13, 1920, including reduction in rates resulting by application of tariffs formerly effective under Crowsnest Pass agreement.” He then points out that the deficit in 1921 was \$16,092,902 and that under the restatement applying the Crowsnest Pass rates the deficit would be \$26,467,091, or an increased deficit to the Crowsnest Pass agreement of \$10,374,189. Do you think that these figures are unreliable?—A. I would not say they are unreliable, but I would say with regard to them exactly what I said with regard to the other figures, and in the case of the National Railways I hardly think that the deficits that have been accumulating in connection with these railways would be enhanced very much or increased very much as the result of the Crowsnest Pass agreement.

Q. Have you studied that feature yourself?—A. I have in principle, yes, I have not any way of getting behind the figures and finding out how they made those estimates. I know on the general assumption.

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Q. Do you feel that without a detailed study you have the right to come here and on oath challenge the figures of Mr. Hanna or of the C.P.R. for that matter?—A. On the basis of economical principles, yes. I would simply say that I think those lower rates would tend to increase the volume of business for the railways.

By Hon. Mr. Stewart:

Q. On what do you base your estimate?—A. On the figures I have given showing the volume of traffic from the east to the west, for one thing.

By the Chairman:

Q. Just there, you gave a considerable number of figures to show the total railway movement to the west and you rather stressed the fact or left the Committee under the impression that this was due to high freight rates?—A. Partly, I said.

Q. Did you say partly?—A. I think so.

Q. It would be a factor merely?—A. I think it would be a very big factor at present.

Q. Are there not bigger factors, the world's commercial conditions would be a bigger factor, would they not?—A. I would not say that.

Q. You must admit that it is a factor?—A. Well, I will say this that the world's commercial conditions resulted probably in the beginning of the decline in wheat prices, and while they were declining the railway freights went up.

Q. Would you get the same increase in traffic movement in the east, in the consumption of commodities say in a city like Montreal where the goods are trucked round?—A. Yes, but these are short hauls.

Q. Is it not due to the fact that the world is not consuming as much as it did?—A. Because of heavy overhead charges as much as anything else.

Q. It is a factor, Mr. Lambert, but don't you think that it is only a factor?

Hon. Mr. CRERAR: Probably the most important factor.

The CHAIRMAN: I do not know, Mr. Crerar, that I can even go as far as that. It would require the writing of books and long arguments to deal with that.

By Mr. Euler:

Q. You say that you desire the restoration of the Crowsnest Pass agreement. Now I presume you desire that because you feel that there would be some financial advantage to the shippers. You also said you did not think that in case the agreement was restored the railways would suffer any loss?—A. Yes.

Q. Do you mean to say then that the prairie shippers would gain a financial advantage and that the railways would not lose correspondingly, or at least to some extent? If that is your argument, how do you explain it—by an increase of traffic?—A. Why certainly, just the same as—if I may use this parallel—free trade increases trade rather than reduces it.

Mr. EULER: I am not going to get into a free trade argument.

By Mr. Boys:

Q. All your wheat is transported now?—A. Not all of it.

Mr. HALBERT: You have an illustration in the case of stamps. When the price of stamps was three cents and it was reduced to two cents there was a surplus.

By Mr. Euler:

Q. I am not questioning it, but is that your attitude, that both would be gainers and neither a loser?—A. I think so. You must naturally allow the rates to run over a fairly decent period. I mean you cannot estimate it on the results of next year but over a period of five years say.

[Mr. Norman Lambert.]

By Mr. Mitchell:

Q. That is the basis of your whole argument?—A. It is a form of investment, this return to the old basis.

Q. Your argument is that the more you reduce rates the more business the railways will get?—A. That is my argument.

Q. The prairies will gain by the reduced rates and the railways by increased traffic?—A. Yes, and the East naturally by providing that traffic.

By Mr. Michaud:

Q. And that would apply to all parts of Canada?—A. I think so.

By Mr. Archambault:

Q. You stated that the world is not consuming as much especially on account of excessive freight rates?—A. I said on account of overhead charges, that is one.

Q. How can you explain the fact that consumption in cities like Montreal where there is traction all round and consequently the haul is very short—how can you explain that there is not as much consumption in cities like Montreal as there used to be?—A. I think one reason is that your big body of consumers in this country, or at least 55 per cent of them have curtailed their purchasing power in the case of grain 26 per cent below the pre-war figures. In other words, if you put the rural population of this country—in this connection I would refer you to a letter of Greenshields and Company that was published in the fall of 1920 or the end of that year in which they dealt particularly with the relationship of the city of Montreal and such other cities which manufacture materials for consumption in the rural districts of this country, and pointed out that until there was some sort of approach between the values of the rural products and the manufactured products there could not be any relief. That is my point. I put the big purchasing power of this country in the rural districts, and Montreal and other centres like that which are experiencing unemployment are suffering as a direct result of the curtailed purchasing power.

Q. You still maintain that it is the result of excessive rates?—A. Exactly, partly.

Q. That the purchasing power of Montreal has been curtailed?—A. Partly, by making it impossible for the western farmers to produce grain at a profit, for one thing.

By Hon. Mr. Crerar:

Q. In other words, if we had the 1917 rate back again, the western farmer would have had fifteen million dollars more to expend in the purchase of goods manufactured in eastern Canada?—A. That is exactly my point. As I pointed out, from September to the end of November, according to the calculations we made, the extra charge on grain from freight rates was \$11,000,000 from the prairies as compared with 1917, and if we had that basis re-established, you in eastern Canada would have had part of the benefit of it.

Mr. MITCHELL: If there had been no freight rates at all you would have had that much more.

By Mr. Manion:

Q. Supposing the figures given by the railway companies are correct, the farmers would have to pay the deficits on the railways, if the deficits really occurred, according to their figures?—A. Correct.

By Mr. Archambault:

Q. It would not increase the purchasing power if the country had such a loss to face?—A. I am not admitting that there would be a loss.

[Mr. Norman Lambert.]

Q. It would transfer the loss from one part of the country to another?—A. I do not believe there would be a loss.

Mr. McCONICA: Those figures apply to all over Canada, and the farmers of the West would not have the \$11,000,000. It would be distributed all over the Dominion. That was Mr. Hanna's statement. The rate would be made applicable everywhere, all over the Dominion.

Mr. BOYS: That was applying the rates only of the Crowsnest Pass agreement.

Mr. McCONICA: That was his statement.

By the Chairman:

Q. I suppose it is only fair to say is it not, that the increase in railway rates was due primarily to the increase of wages, railway wages; and they have not fallen a great deal yet?—A. Well, I know this, I was here in Ottawa in August, 1920, when Mr. Symington and the other interests from western Canada were placing their case along with that of the other provinces before the Railway Board, and the argument, the strongest claim for an increase of 40 per cent made at that time by the railways was made on the basis of the Chicago award, an award which, after the increase took place, was never fully put into effect in this country. Now I think that for the railways of this country to continuously shelve their responsibility and put it on the shoulders of the consuming public and their representatives in Parliament is to shirk a real responsibility that is theirs. I think they should deal with that problem themselves instead of passing it on through the Board of Railway Commissioners to the people of this country.

By Mr. Hudson:

Q. Can you give us the price of grain at Fort William in 1918 at the time this first increase was made, and the price at the time the second increase was made?—A. Well, in 1918, of course the price of wheat was fixed at I think \$2.21 a bushel.

By the Chairman:

Q. Was it not \$2.24?—A. The second year I think was \$2.24.

By Mr. Hudson:

Q. Two dollars and twenty-one cents, plus—?—A. That was on the basis of Fort William.

Q. But in addition they were entitled to a participation certificate?—A. That was the Wheat Board. There were two years in which the price was fixed.

Q. The price was \$2.21 in 1918?—A. Yes.

Q. What was it in 1919?—A. In 1917-18 it was \$2.21, and in 1918-19 it was \$2.24. The increased rate was freight rate.

Q. In 1919 the farmer got more than \$2.24?—A. That was in 1919-20. You must remember that the year starts on 1st September, and in 1919-20 the Wheat Board was in existence, and their net return from that was \$2.48 per bushel on the basis of No. 1 northern wheat.

Q. How did the price of oats and other rates rule at that time?—A. As I remember, I think that oats ranged from about 60 cents to 90 cents a bushel through those two years.

Q. How did those prices compare with the present prices, the prices of 1921?—A. Oats last fall were so seriously affected by the decline of price together with the cost of harvesting and shipping, that in many sections of the West the farmers absolutely came to the conclusion that it was not worth while even to cut them

[Mr. Norman Lambert.]

By Mr. Mitchell:

Q. Where is your market for oats?—A. It is largely in Canada.

Q. What part?—A. Well, in eastern Canada; it depends on the oat crop down here. But there is not much market for oats in Ontario. In British Columbia there is a large market for oats.

By Mr. Hudson:

Q. Let us get back to wheat. That is the largest and most important crop, is it not?—A. Yes sir.

Q. Now the price was \$2.21 in 1918 when the first increase was made, and that \$2.21 was free of freight. That was net, was it?—A. Nineteen seventeen you are referring to; in 1917-18 it was \$2.21.

Q. Was that plus freight or less freight?—A. That was on the basis of Fort William. You took off at that time the rate which was in existence in 1917, and which in Winnipeg was at the rate of 10 cents per one hundred pounds.

Q. When these increases were made or were being discussed, was the price of grain a subject of discussion?—A. When the grain prices were fixed, you mean?

Q. No, when the freight rate increases were asked for, did the railways put up to the Government or the Railway Commission the fact that the grain was worth twice or more what it had been?—A. No, not that I know of. In 1920 they did, yes. In 1920 I had not been at the hearings where they made the increases of 1918 but in 1920 when the big increase was made here, I know that the argument that was made by the railway representatives there was that farmers' grain had reached peak prices in 1920 and therefore there was justification in increasing the rate. In 1920 I know the price was \$2.48 on the basis of Fort William, but you must remember that that hearing was in August 1920 and the season was just at the end and it had increased forty per cent, coming into effect on the first of September. No sooner did it come into effect than the prices began to decline, and declined \$1.00 in six weeks so the increase was made right at the peak, and it has been declining ever since.

Q. That is the high price of wheat was used by the Railway Companies as an argument for the imposing of the increased rates?—A. Yes, sir.

By Mr. Archambault:

Q. You gave an answer a moment ago which is not very satisfactory to me or to the Committee, either, I believe. You know what Mr. Beatty stated, and his opinion is based on figures, that the revival of the Crownsnest Pass agreement would mean a loss of \$15,000,000 to the Company. Mr. Hanna also stated it would mean a big loss to the Canadian National. Mr. Watson of the Grand Trunk also made the same statement.

Mr. Boys: \$100,000.

By Mr. Archambault:

Q. Yes. You stated that in your opinion the statement of these three gentlemen is not a fair statement?—A. Yes.

Q. On what reasons do you base your argument? What are the reasons for stating that those statements based on figures are not fair? I am not very clear about that answer.—A. In the first place I stated that the method by which they had arrived at those figures has not been particularly elaborated that I know of, and therefore I was in no position to say whether or not I thought their actual calculations represented the facts or not, or whether they were an exaggeration but I am taking this point,—this is the basis on which I disagree with them, and on general economic principles if you reduce those rates to the old basis that you will get a sufficiently increased volume of traffic from all parts of the country responding to

[Mr. Norman Lambert.]

that so that it will repay the railways to reduce those losses and thus eliminate them. I don't think there would be anything like the losses they estimated.

Q. You think the increase of traffic will recoup them for their losses?—A. I do.

The CHAIRMAN: Mr. Lambert is merely giving his opinion in anticipating future economic conditions. That is all.

By Hon. Mr. Mitchell:

Q. What proportion of that would you apply to wheat and grain.

The CHAIRMAN: You only volunteered an opinion.

By Hon. Mr. Mitchell:

Q. There would not be any more wheat or grain if the rates were reduced?—A. I certainly think so. I think, for example, that you would encourage immigration. As I said in my memorandum I think it would be absolute folly and that opinion is shared with the organizations I represent. It would be absolute folly for any agency to try to induce immigration without that.

Q. So that the increase of freight and grain you are anticipating—A. And the development of the country generally.

Q. You are figuring what would be due to increased immigration and increased areas of cultivation in Western Canada?—A. That would be partly. We might be favoured by problems too in getting a better crop.

Q. On top of that you would add all the other commodities that would be generally shipped as a result of that throughout all Canada?—A. There is just one point I would like to make in reply to Mr. Archambault and that is the estimate of the railway officials as to their figures and conditions, and since that question was asked, the vice-president, Mr. Coleman, has come into the room, and it refers particularly to a statement he made in Winnipeg last February before the Kiwanis Club there when he stated in general terms that the rates were quite high enough, that there was not any particular reason why they should be reduced and he added this, that the farmers were not as badly off as people generally think. Now, at that very time, if he had not already known, and he probably did know—he could at least have found out from his own department of natural resources in Canada that their own C.P.R. farms, which had been settled by colonists that they brought in as a result of their last crop season, had earned just enough to pay the harvesting expenses and nothing more. I just say that by way of comment.

By Mr. Boys:

Q. Dealing with these figures, I have been trying to follow you as to the doubt cast upon them as to their accuracy. As far as I can see the only estimate by Mr. Hanna showing a deficit of \$10,000,000 would be in the volume of business to be done in 1922, because let me point out everything else is an absolute calculation. He takes the total business in 1921, which is not a guess; it is an accurate statement. He applies the rates in the Crownsnest Pass agreement, which are not a guess but are definite and the only thing he does is to estimate that the business of 1922 will be the same in volume as 1921, and upon that he gives the result. Upon that basis why would you think the figures are wrong, with the one exception that the business of 1922 may not be as great or may be greater than the business of 1921.—A. I allow that the business of 1922, this year—take for instance this crop year, the prospects at present in western Canada are that we shall have a very large crop and that stuff must be taken out of the country and it is quite possible that the railway companies would carry more grain than last year. That would not be due to any decrease the C.P.R. would make in the freight rates.

[Mr. Norman Lambert.]

Q. What I want to get at and I want to see if you agree with me, that the only guess or estimate he is making on the whole thing is in the estimated volume of business in 1922. Everything else is an accurate statement.—A. I don't agree with that altogether. I don't know what his basis is.

Q. I can show it to you here. Let me state it again, because it seems to me it is very important. He gives the figures for 1921, the volume of business for 1921.—A. Yes.

Q. He then tells on that business the rates provided for by the Crowsnest Pass agreement and says that if the volume of business for 1922 proves identical with that of 1921 and we then apply the Crowsnest rates, there would be a deficit of \$10,300,000 odd. Show me in what respect there is any estimate except in regard to the volume of business.—A. I will tell you in this way, as I pointed out in my memorandum, the effect of the freight rates from the 1st of September to the 30th of November last year, being as high as they were over 1917 was to create difference in return to the farmers of the west in those three months of \$11,000,000. Had they got that \$11,000,000 there would have been in my opinion, at any rate, a great big proportion of that represented in increased tonnage from Eastern Canada and that estimate therefore failed just in that respect. It fails to consider at all the human element.

Q. That does not apply to wheat. All your wheat was shipped out. It might apply to oats.—A. It reflected in the price they got.

Q. It comes back to dealing with the question of why should not the Railway Board settle it equitably. As far as your wheat was concerned, it was all shipped out.

Hon. Mr. MANION: He means the same purchasing power.

WITNESS: My point is perfectly clear.

By Mr. Boys:

Q. I might be very stupid. Let me ask one question. While my thick brain is on this, let me clear it up. We are dealing with wheat at the moment. Mr. Beatty gave us the loss at \$7,000,000. All the wheat was shipped out and no matter what your freight rate was it would not affect the volume of wheat carried by the railways, would it?—A. The volume of wheat carried?

Q. Yes.—A. It might have, slightly, yes.

Q. It would be very slight.—A. I mean, for instance, the grain left standing in the fields not cut would have been cut.

Q. Do you say there was much of that?—A. I know of one car of oats. That is an exception—

Q. Let us keep away from oats. Let us stick to wheat just now. As far as oats was concerned, I was very much impressed by what was said the other day. I am giving the figure on wheat of \$7,000,000.—A. On grain, you mean.

Q. You are right, it was on grain, yes.—A. If I can just tell you about the oats I would just like to tell you because I know of a dealer in oats in Winnipeg who shipped a car for a farmer up in the Yorkton district to the head of the Lakes, and the farmer, when the inturn came in, got a bill for \$40.80 charges. That is all he got out of it. He had to pay \$40.80 more.

Q. I heard the statement the other day the farmer got 21 cents and the railway got .13 cents on oats. At that price it did not pay to harvest the crop at all. I quite agree with that. What troubled me was if you had the Crowsnest Agreement you would get 24 cents instead of 21 cents. That same witness told us you would have to get from 32 to 36 cents to make it worth while to raise oats, so it would not help us much.

Hon. Mr. CRERAR: I was going to point out to Mr. Boys in the question he was asking about Mr. Hanna's figures, that the deficit of 1921 does not take into account the reduction in rates that was made in December.

[Mr. Norman Lambert.]

Mr. Boys: It is to the end of the year, as I understand it, but the rate was effective on the 1st of December, and there you would only have the benefit for one month.

Mr. HUDSON: I would like to help Mr. Boys on this \$11,000,000 we were talking about. As I understand it, your point is that, if the \$11,000,000 had been saved by that lowering of freight rates, the farmers would have had \$11,000,000, which they would have spent in buying goods in Eastern Canada, which would have in turn to be carried to Western Canada and the freight rate paid on them.

WITNESS: That is the point exactly.

Hon. Mr. STEWART (Lanark): Part of it might go to pay the deficit.

Mr. ARCHAMBAULT: Or they might have spent it in California in the winter.

The CHAIRMAN: Well, gentlemen, I don't know that there is anything more that we can detain Mr. Lambert for. I am much obliged to him for his coming here.

Witness retired.

Hon. GEORGE LANGLEY, called, sworn and examined.

By the Chairman:

Q. You heard this morning Mr. Lambert's statement?—A. No, but I have heard Mr. Lambert's statement, Mr. Chairman.

Q. If you wish to supplement that now in any way, we would be glad to hear you.—A. In some measure. I should like in the usual way to just tell you and the Committee why I am here and the justification for my being here. I am a farmer in Saskatchewan and this year we are putting in our thirtieth crop. I arrived in Saskatchewan in 1898 and put in a crop after we got there, and we have put in a crop of grain every year since then. In addition to that, I was a member of a Commission in 1913, as representative of the farmers there, inquiring into grain marketing, and together with the present Premier of Saskatchewan and our Secretary, the late Major Mantle, who was unfortunately killed in France during the war, we called meetings of the farmers and made inquiry as to the cost of producing grain. In addition to that I was for between eight and nine years Minister of Municipal Affairs of Saskatchewan, and was through my Department in constant touch with over three hundred municipalities in the Province of Saskatchewan. At the present time I am president of the Saskatchewan Co-operative Elevator Company, which includes over 450 elevators in the province, at each one of which we have an agent who is in constant touch with the head office where my own office is. I come before you therefore, Mr. Chairman, not with the intention of entering into a discussion with legal gentlemen, who have not the same interest that I have, but rather with the desire to put before you the practical facts in regard to the situation in the province where I have resided for thirty years. We have had two contracts affecting us, the original contract between the Parliament of Canada and the Canadian Pacific Railway, and the Crownsnest Pass Agreement. Both have materially affected the condition of the men who have settled in Western Canada to carry on farming there. I think it is Section 16 of the original contract with the Canadian Pacific Railway which makes provision that in the Northwest Territories which are now—this was in the eighties—the Provinces of Alberta and Saskatchewan there should be exemption from taxation on their roadbed, their rolling stock, their buildings and their yards for all time. They were granted, after adjustments were made, something like 18,000,000 acres of selected lands, most of which were selected in the provinces of Alberta and Saskatchewan. These lands were exempt from taxation for twenty years, but after twenty years advantage

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was taken of the loosely drawn condition of the Act to take the matter to court, and it was prolonged and extended for another twenty years; so that the exemption from taxation on these selected lands has, in many cases, extended over forty years. During the time I was Minister of Municipal Affairs in Saskatchewan we made a careful calculation and found that had the Canadian Pacific Railway paid taxes in the ordinary way the province of Saskatchewan would have received several hundred thousand dollars a year from them,—at the time we made the calculation it amounted to about \$300,000 a year. In addition to the fact that they were escaping these taxes, when the now Government Railway was built through our province we felt we could not tax it, because had we done so the Canadian Northern Railway would have been placed in a disadvantageous position in comparison with the Canadian Pacific Railway. You can see, Mr. Chairman, that had we taxed the Canadian Northern while the Canadian Pacific Railway was free from taxation, we would have placed the weaker railway at a disadvantage in comparison with the stronger railway. During the whole of that time settlers were coming in in large numbers from Eastern Canada and England, Scotland and Ireland, and also from Central Europe. Notwithstanding the greatness of British Columbia, as detailed by my good friend Premier Oliver yesterday, we did not get very many settlers from his province. Now while the Canadian Pacific Railway was enjoying exemption from taxation, the new settlers were taxing themselves to the limit of their capacity in order to provide schools for their children and also to improve roads for traffic. The whole facts were known to the C. P. R., who maintain a highly efficient Intelligence Department, but never at any time did that great railway company utter a generous word or offer a generous suggestion relative to foregoing their exemption from taxation; and at that time they were paying 10 per cent and also building up a large surplus reserve. It is an extraordinary fact that while we had to maintain the contract that unfavourably affected us, the contract which favourably affected us was suspended because of war conditions. Parliament, wisely, suspended it for only three years instead of indefinitely. Now we have the Canadian Pacific Railway Company in common with the other railways—very naturally, in a matter of this kind the other railway companies would follow suit—asking that the suspension of the Crowsnest Pass agreement be no longer merely suspended but, for all practical purposes, wiped out. We do not think that is fair. We went into that country under all the benefits of the Crowsnest Pass agreement; in fact, it was made for our benefit. You have only to look at the date of its inauguration in order to be assured of that fact. The Crowsnest Pass agreement was made in 1897 and was put into effect in 1898. In 1897, as you all know, Mr., now Sir Clifford Sifton, was the newly appointed Minister of the Interior and was just about to launch what afterwards became his most successful immigration policy, and practically all the immigrants came into the provinces of Alberta and Saskatchewan under the benefits of the Crowsnest Pass agreement. Of course, they did not know anything about it. But in view of these facts, it seems to me that as the original contract with the Canadian Pacific Railway, notwithstanding its unfavourable oppression of the Prairie West, Alberta and Saskatchewan, was treated as sacred, the other agreement should be treated, in reason, as also sacred. I have a little complaint to make, speaking on behalf of the people I represent, of the action of our railway companies in raising in this inquiry the whole question of freight rates all over the Dominion. I have looked through the Crowsnest Pass agreement, and so far as it affects the part of the Dominion in which I live, the Prairie West, I have not been able to find any reason for raising this larger question. I can easily understand the attitude of my old friend Premier Oliver of British Columbia. He has a grievance which he is prepared to air anywhere at any time, and this was a splendid opportunity which, I think the members of the Committee will agree, he took advantage of to the fullest possible extent. This is the complaint I have to make: The war created conditions which were unusual. There was an immense inflation

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of prices in connection with every commodity. The farmers' grain was sold for more money, and the farmers readily acknowledge that fact. When the question of suspending the Crownsnest Pass agreement in order that the railway company might charge higher freight rates was mooted—it was not done with a blare of a trumpet, but with considerable quietness—there was no reason why we should complain. In common with all other commodities, the prices of our commodity had gone up, and when they imposed the higher freight rates nothing was said about it. But we are now in this position, that the prices of our commodity have gone right back to pre-war levels. Mr. Symmington last night said that he might possibly take the floor before Mr. Lambert, and I therefore had no idea that I should be called upon to address you this morning, or I should have brought with me a list of prices carefully prepared by my elevator office. I left it with a stenographer to have it copied. The list shows exactly how the prices of grain have gone down during the last two years, and it shows that even without the alteration of rates the farmers received for the bulk of the wheat they sold last year less money than they received in 1914.

By the Chairman:

Q. If you will furnish the Committee with that list of prices it will be incorporated in your evidence?—A. Thank you. I shall be very glad to do so. The stenographer at the hotel appeared to have some trouble with it because she was not accustomed to figure work, which is quite common in our business. As I have stated, the price of wheat—and it applies similarly to oats—has gone down to less than it was in 1914. When I submit my statement you will see that that is absolutely correct. This is what seems odd to me: Does any reasonable man suppose that you can cut down the income of the farmers in the Prairie West to below even what it was in 1914 and at the same time raise everything else they have to pay for? Mr. Beatty himself mentioned the fact that the extra charges on grain, so far as his company was concerned, would amount to \$7,100,000. I am quoting these figures from memory, but I feel sure I am correct. Well now, the C.P.R. carries out of the prairie West just about one-half of the grain we transport. The other half is carried out by the other two railways now known as the Canadian National Railways, and that means another \$7,100,000, putting them together, and speaking of them as one. It means a yearly increase in railway transportation on grain alone of a sum approximating \$14,000,000. Well that is purely a direct levy. I want the members of the Committee to see that. Many things that are increased are increased in a general way. Somebody pays one part, and somebody pays another. But when it comes to be a question of paying freight rate on grain, the farmer pays it and he cannot pass it on to anybody. He is not like the lawyer. Mr. Chairman, you are a member of that profession, I believe, and if your expenses are increased you very naturally make your bill a little larger and the payment becomes square. The same is true in everything. It is true even with our working men. They have to have more wages if everything is dear. But when you put a charge on the farmer he cannot shift it. Nature will not have anything to do with the shift, and it is with nature that he has to do. Consequently, when you raise from freight rates \$14,000,000 a year it means an actual burden as though it had been an income tax of \$14,000,000 a year on the men who grow the grain in the West.

By Mr. Vien:

Q. May I be permitted a question? If putting into effect of the Crownsnest Pass Agreement causes the National Railways to have a further deficit, is it not shifting that additional deficit to the rest of the community to impose it?—A. Yes, I am very much obliged to the gentleman. What I want to know—I might turn it back as a question if I was a Scotchman instead of being an Englishman, because that

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is the way the Scotch answer questions; they ask another question. I want to say this in connection with that: Have you any right to assume—Mr. Chairman I am answering the hon. gentleman's question—have you any right to assume that while farm products have gone down to values equal to those previous to the war, have you the right to assume that everything is going to keep up exactly as it was raised up during the war?

Q. If that is a question put to me, I would say it does not answer at all the point I raised. The point I raised is, that owing to general conditions which are just as much beyond our control as the market conditions are beyond the control of the wheat producer, we are now face to face with this question, and the highest authorities in respect to transportation, the C.P.R. authorities and the Canadian National Railway authorities, have come to this Committee and stated that if you do put into effect the Crowsnest Pass Agreement rates again, you will increase the deficit as much on the C.P.R. as on the Canadian National Railways. Now insofar as the Canadian National are concerned, that deficit will be borne by all classes of citizens in Canada. Now if you do put it into effect, are you not shifting that additional deficit onto the shoulders of other people. We are not as much concerned in wheat projects?—A. I shall answer the question in two ways and the gentlemen will give me credit—

By Mr. Macdonald:

Q. Answer it in some way,—A. I am going to answer it in two ways and I was going to ask that the gentlemen and the members of the Committee will give me credit at least for the ordinary intelligence of the members that come up here.

Mr. VIEN: Surely.

WITNESS: Thank you. Now, what was one of the reasons that put the cost of railway transportation up as it has been put up and as we admit it has been put up? One of the reasons was the question of wages in connection with the employes of the railway. That was one of the reasons. It was one of the reasons why the cost of transportation went up. We are on the verge and on the beginning of a general deflation in my opinion in connection with a number of things. The deflation has struck the farmers first. We cannot keep farm wages up, Mr. Chairman. I have at the present time working for me under my son's management, some four hired men on the farm. Four years ago we paid a similar number of men and three years ago \$80, \$75 and \$70 a month with board. This year we are paying them \$50, \$45 and \$40. You can easily reckon the percentage of the drop in wages. Mr. Chairman and members of the Committee, I submit to you that such a drop in the wages of the men employed on our railways is a reasonable thing.

By Mr. Archambault:

Q. I don't want to interrupt the witness but I would like very much to have the witness give an answer to the question put by Mr. Vien.—A. I think I am trying to answer it.

By Mr. Macdonald:

Q. It is taking a long while.—A. That is quite right, it is one of the questions you cannot answer yes or no.

Mr. FORKE: I think we might get the witness's story without being interrupted by a few lawyers in the corner here all the time.

Mr. VIEN: There is one remark which is absolutely out of place, and it is the remark of my honourable friend, because I am not acting as a lawyer here. I am acting as a member of the Committee, putting what I thought was a decent and fair question to the witness and I think my honourable friend's remark is totally unwarranted.

[Hon. George Langley.]

The CHAIRMAN: I hope Mr. Forke did not mean it in that sense at all. Will you proceed, Mr. Langley.

Mr. ARCHAMBAULT: We accept your apology.

WITNESS: I was showing, Mr. Chairman, that in the inevitable move of things, the wages of farm help had gone down and very naturally in the same inevitable move on a wider scale other things will go down and among other things, railway wages. Our friends who are in charge of the railways are putting the cart before the horse altogether. They come here and say do this and this will be the result. Reinstate the Crowsnest agreement and our costs of operation, being exactly the same now as they were four years ago, the loss to the railways will be so and so." Now that is their argument.

By Mr. Boys:

Q. It was applied to last year's traffic, not to four years ago.—A. It meant the same thing. I am going to show you in a minute or so how you kill your traffic.

Q. The figures were given with regard to the traffic of last year, not four years ago.—A. Thank you. I accept that of course. It is all given with the understanding that the lowering of freight rates on grain, the cost of operation will be exactly the same as it was in the previous year. I will put it that way. Well, of course it will, if you start on that understanding. The men who work on our railways are the most intelligent of that class of men in the whole of the Dominion.

Some Hon. MEMBERS: Hear, hear.

A. And so long as you keep freights up they won't allow wages to go down.

Some Hon. MEMBERS: Hear, hear.

A. They would be fools if they did. In order to secure the deflation you have to start somewhere and inevitably we have started with the farmer. That has been the natural trend of things. Now you have to start somewhere else, and I respectfully submit to this Committee that if you start in connection with the re-instatement of the Crowsnest Pass agreement the railways will then be in a position to deal with their workmen. They will point out to their workmen that rates have gone down and wages must follow, and our workmen on the railways are too intelligent a body of men in their own interest to put up to the managers of the railways an impossible proposition. I submit that as an answer to your question, sir.

Mr. VIEN: Good.

WITNESS: I thank you. I hope I have tried to make that plain.

By Mr. Macdonald:

Q. You say reduce the freight rates and the wages will be reduced?—A. Exactly, sir. Inevitably so.

By the Chairman:

Q. Mr. Beatty said the other day that he favoured this reduction of rates on basic commodities anticipating a reduction in wages, otherwise he said they could not do it. He had that in mind, the same idea you had.

Mr. ARCHAMBAULT: The reduction all over the country.—A. Just one word on that. Previous to the abrogation or suspension of the Crowsnest Pass agreement we did not find that that agreement, when it was in operation prior to the war, affected the freight rates all over Canada. Nobody contended that for a moment. It was an entirely local matter affecting local conditions. Prior to the war nobody contended—neither the president of the Canadian Pacific Railway nor anybody else—that that agreement affected the question of freight rates all over the Dominion. Mr. Beatty's contention to-day in that connection is that it will be such a loss to the railway company that in order to make it up or keep their company in the position in which it is now, they will have to put higher rates into effect elsewhere—that was mentioned, I think, Mr. Chairman?

By the Chairman:

Q. Yes; and other things?—A. Yes; or that they would have to refuse any lowering of rates anywhere else. That was the contention. I want to say this in connection with the matter—and this will be my next point—and our friend will bear with me if my answer is a little involved, for I will clear it as I go along, if I can. We got the other answer cleared up.

By Mr. Vien:

Q. I would not admit the conclusion, but I will admit it was an answer to the question?—A. Thank you. I cannot satisfy you, perhaps, when I do answer you, but I will try to answer you. The other point is this, that the enormous progress made in the Dominion of Canada during the last twenty-five years, say from 1897, has been due—I do not want to use a word that will get me into trouble—in not only a large, but in a very very large measure to the settlement and development of the Prairie West. The cities of Eastern Canada, many of which are manufacturing cities, have doubled their respective populations. There has been an enormous increase in imports and in exports, and these increases are largely traceable to the fact that nearly 2,000,000 people have settled upon what were up to 1897 barren prairies, have put these prairies under cultivation, and have created an enormous export asset for this Dominion. In addition, the settlers of the West have been customers on the largest scale of the manufacturing interests all over Canada, particularly eastern Canada. We have been customers even to our friends in British Columbia, as no one knows better than the good Premier of that province. The result has been beneficial to the whole of the Dominion. It has marked an era of advancement in the life of the Dominion of Canada. There is yet another step we are to take, and that step is further development with further advancement. It is to that phase of the matter that I desire to address a few remarks.

Mr. Chairman, it is now one o'clock. Do you desire that I shall proceed?

By the Chairman:

Q. Do you think you can finish shortly?—A. I am afraid I must ask you to give me a little longer time, Mr. Chairman. You see, my people have paid my expenses and sent me down here.

The CHAIRMAN: Gentlemen, is it the wish of the Committee to meet again this afternoon?

Mr. MACDONALD: I would suggest that we meet in the evening instead of the afternoon. Last evening I was unable to secure the services of a stenographer; all the stenographers had gone home. I move we adjourn until half past eight this evening.

Agreed to.

The Committee adjourned at 1.00 o'clock p.m. until 8.30 o'clock p.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 8—TUESDAY, MAY 30, 1922

EVENING SITTING

NAMES OF WITNESSES

Hon. Geo. Langley, President, Saskatchewan Co-Operative Grain Elevator Co.
Mr. Reid, Canadian Council Agriculture



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

EVENING SESSION 30th MAY

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

TUESDAY, May 30, 1922.

The Committee resumed according to adjournment at 8.30 o'clock p.m.

The CHAIRMAN: Gentlemen, if you will come to order, Mr. Langley will resume his statement.

Mr. LANGLEY: Mr. Chairman and members of the Committee: When I was speaking to you this morning, I stated that I had got a carefully prepared statement showing the value of grain in 1914 and the value of grain in 1921, in substantiation of the statement I made that the price of grain in 1921 was lower to the farmers at the Prairie West than the price of grain in 1914, although in 1914 the average freight rate in Saskatchewan was 12½ cents per bushel, or 12¼ cents per bushel, and in 1921 it was until a small lowering took place in December 21 cents a bushel as against 12¼ cents a bushel, and under the reduction it was 19¾ cents per bushel as against 12¼ cents per bushel.

You said, sir, that I could put this statement in. I just wanted to say this, that it has been prepared from the carefully preserved reports of the Elevator Company, and it shows the price of grain in the months of September, October, November, December and January of each season. I did think I would summarize it, so as not to overburden your records, but on second thought I think it is best that I should put it in exactly as it was compiled in the elevator company's office. I would thank you if those in charge of the reports will, when they are able to spare it hand it to Mr. Sales, the member for Saltecoats.

COMPARISON OF SPOT PRICES WHEAT ALL GRADES SEMI-MONTHLY

1921-22—1914-15

Day and Month	Grade No.	Spot Price		Freight per bush.		Spot Price less freight		Dec. or Inc. due to rise or fall in price	Dec. or Inc. in Spread	Dec. due to Inc. in Frt.	Total Dec. or Inc.
		1914-15	1921-22	1914-15	1921-22	1914-15	1921-22				
Sept. 1.....	1 ⁰	1.13 ⁴	1.59 ⁴	.12 ⁵	.21	1.007	1.38 ⁴	.46		-.08 ³	.37 ⁵
	2 ⁰	1.12	1.52 ⁴	.12 ⁵	.21	.99 ³	1.31 ⁴	.40 ⁴	.05 ⁴	-.08 ³	.32 ¹
	3 ⁰	1.10	1.50 ⁴	.12 ⁵	.21	.97 ³	1.29 ⁴	.40 ⁴	.05 ⁴	-.08 ³	.32 ¹
	4	1.02 ⁴	1.35 ⁴	.12 ⁵	.21	.89 ⁷	1.14 ⁴	.33	.13	-.08 ³	.24 ⁵
	5	.95 ⁴	1.20 ⁴	.12 ⁵	.21	.82 ⁷	.99 ⁴	.25	.21	-.08 ³	.16 ⁵
	6		1.05 ⁴	.12 ⁵	.21		.84 ⁴			-.08 ³	
	Feed			.12 ⁵	.21					-.08 ³	
Sept. 15.....	1 ⁰	1.07 ⁴	1.48 ⁷	.12 ⁵	.21	.94 ⁷	1.27 ⁷	.41 ³		-.08 ³	.33
	2 ⁰	1.03 ⁴	1.44 ⁷	.12 ⁵	.21	.90 ⁷	1.23 ⁷	.41 ³		-.08 ³	.33
	3 ⁰	.99	1.39 ⁷	.12 ⁵	.21	.86 ³	1.18 ⁷	.40 ⁷	.00 ⁴	-.08 ³	.32 ⁴
	4	.94	1.29 ⁷	.12 ⁵	.21	.81 ³	1.08 ⁷	.35 ⁷	.05 ⁴	-.08 ³	.27 ⁴
	5	.86	1.17	.12 ⁵	.21	.73 ³	.96 ⁷	.31 ⁷	.09 ⁴	-.08 ³	.23 ⁴
	6			.12 ⁵	.21					-.08 ³	
	Feed			.12 ⁵	.21					-.08 ³	
Sept. 30.....	1 ⁰	1.07 ⁶	1.35 ¹	.12 ⁵	.21	.95 ¹	1.14 ¹	.27 ³		-.08 ³	.19
	2 ⁰	1.04 ⁴	1.33 ¹	.12 ⁵	.21	.91 ⁷	1.12 ¹	.28 ⁵	-.01 ²	-.08 ³	.20 ²
	3 ⁰	.99 ⁴	1.28 ⁵	.12 ⁵	.21	.86 ⁷	1.07 ⁵	.29 ¹	-.01 ⁵	-.08 ³	.20 ⁶
	4	.93 ¹	1.23 ⁵	.12 ⁵	.21	.80 ⁴	1.02 ⁵	.30 ⁴	-.03 ¹	-.08 ³	.22 ¹
	5	.87 ¹	1.11 ¹	.12 ¹	.21	.74 ⁴	.90 ¹	.24	.03 ³	-.08 ³	.15 ⁴
	6	.82 ¹	1.01 ¹	.12 ⁵	.21	.69 ⁴	.80 ¹	.19	.08 ³	-.08 ³	.10 ⁵
	Feed	.78 ⁵	.91 ¹	.12 ⁵	.21	.66	.70 ¹	.12 ⁴	.14 ⁷	-.08 ³	.04 ¹

[Hon. George Langley.]

COMPARISON OF SPOT PRICES WHEAT ALL GRADES SEMI-MONTHLY—Con.

1921-22—1914-15

Day and Month	Grade No.	Spot Price		Freight per bush.		Spot Price less freight		Dec. or Inc. due to rise or fall in price	Dec. or Inc. in Spread	Dec. due to Inc. in Frt.	Total Dec. or Inc.
		1914-15	1921-22	1914-15	1921-22	1914-15	1921-22				
Oct. 15.....	1 ⁰	1.12	1.30 ²	.12 ⁵	.21	.99 ³	1.09 ²	.18 ²		-.08 ³	.09 ⁷
	2 ⁰	1.08	1.17	.12 ⁵	.21	.95 ³	.96	.09	.09 ²	-.08 ³	.00 ⁵
	3 ⁰	1.03	1.13	.12 ⁵	.21	.90 ³	.92	.10	.08 ²	-.08 ³	.01 ⁵
	4	.96 ⁶	1.06 ⁴	.12 ⁵	.21	.84 ¹	.85 ⁴	.09 ⁶	.08 ⁴	-.08 ³	.01 ³
	5	.92 ⁵	.99	.12 ⁵	.21	.80 ¹	.78	.06 ²	.12	-.08 ³	-.02 ¹
	6	.88	.90	.12 ⁵	.21	.75 ³	.69	.02	.16 ²	-.08 ³	-.06 ³
	Feed	.84	.80	.12 ⁵	.21	.71 ⁵	.59	-.04	.22 ²	-.08 ³	-.12 ³
Oct. 31.....	1	1.16 ⁶	1.10 ⁶	.12 ⁵	.21	1.04 ¹	.89 ⁶	-.06		-.08 ³	-.14 ³
	2	1.13 ⁴	1.08 ³	.12 ⁵	.21	1.00 ⁷	.87 ³	-.05 ¹	-.00 ⁷	-.08 ³	-.13 ⁴
	3	1.08 ⁴	1.06 ³	.12 ⁵	.21	.95 ⁷	.85 ³	-.02 ¹	-.03 ⁷	-.08 ³	-.10 ⁴
	4	1.02 ⁴	.97 ¹	.12 ⁵	.21	.89 ⁷	.76 ¹	-.05 ³	-.00 ⁵	-.08 ³	-.13 ⁶
	5	.98 ⁶	.92 ⁵	.12 ⁵	.21	.86 ¹	.71 ⁵	-.06 ¹	.00 ¹	-.08 ³	-.14 ⁴
	6	.93 ⁶	.82 ⁵	.12 ⁵	.21	.81 ¹	.61 ⁵	-.11 ¹	.05 ¹	-.08 ³	-.19 ⁴
	Feed	.90	.72 ⁵	.12 ⁵	.21	.77 ³	.51 ⁵	-.17 ³	.11 ³	-.08 ³	-.25 ⁶
Nov. 16.....	1	1.13 ²	1.09 ⁴	.12 ⁵	.21	1.00 ⁵	.88 ⁴	-.03 ⁵		-.08 ³	-.12 ¹
	2	1.09 ²	1.06 ⁴	.12 ⁵	.21	.96 ⁵	.85 ⁴	+.02 ⁶	-.01	-.08 ³	-.11 ¹
	3	1.04 ²	1.00 ⁶	.12 ⁵	.21	.91 ⁵	.79 ⁶	-.03 ⁴	-.00 ²	-.08 ³	-.11 ⁷
	4	.98 ²	.97 ²	.12 ⁵	.21	.85 ⁵	.76 ²	-.01	-.02 ⁶	-.08 ³	-.09 ³
	5	.94 ²	.89 ⁶	.12 ⁵	.21	.81 ⁵	.68 ⁶	-.04 ⁴	.00 ⁶	-.08 ³	-.12 ⁷
	6	.89 ²	.81 ⁶	.12 ⁵	.21	.76 ⁵	.60 ⁶	-.07 ⁴	.03 ⁶	-.08 ³	-.15 ⁷
	Feed	.85 ²	.73 ⁶	.12 ⁵	.21	.72 ⁵	.52 ⁶	-.11 ⁴	.07 ⁶	-.08 ³	-.19 ⁷
Nov. 30.....	1	1.15 ⁷	1.16	.12 ⁵	.21	1.03 ²	.95	.00 ¹		-.08 ³	-.08 ²
	2	1.13	1.11 ⁴	.12 ⁵	.21	1.00 ³	.90 ⁴	-.01 ⁴	.01 ⁵	-.08 ³	-.09 ⁷
	3	1.08 ²	1.03 ⁴	.12 ⁵	.21	.95 ⁵	.82 ⁴	-.04 ⁶	.04 ⁷	-.08 ³	-.13 ¹
	4	1.05 ²	.98 ⁴	.12 ⁵	.21	.92 ⁵	.77 ⁴	-.06 ⁶	.06 ⁷	-.08 ³	-.15 ¹
	5		.85 ⁴	.12 ⁵	.21		.64 ⁴			-.08 ³	
	6		.79 ⁴	.12 ⁵	.21		.58 ⁴			-.08 ³	
	Feed		.71 ⁴	.12 ⁵	.21		.50 ⁴			-.08 ³	
Dec. 15.....	1	1.17 ⁶	1.08 ⁷	.12 ⁵	.19 ⁴	1.05 ¹	.89 ³	-.08 ⁷		-.06 ⁷	-.15 ⁶
	2	1.14 ⁶	1.02 ⁷	.12 ⁵	.19 ⁴	1.02 ¹	.83 ³	-.11 ⁷	.03	-.06 ⁷	-.18 ⁶
	3	1.10 ²	.97 ³	.12 ⁵	.19 ⁴	.97 ⁵	.77 ⁷	-.12 ⁷	.04	-.06 ⁷	-.19 ⁶
	4	1.06 ³	.90 ⁶	.12 ⁵	.19 ⁴	.93 ⁵	.71 ²	-.15 ⁴	.06 ⁵	-.06 ⁷	-.22 ³
	5	1.01 ²	.82 ⁶	.12 ⁵	.19 ⁴	.88 ⁵	.63 ²	-.18 ⁴	.09 ⁵	-.06 ⁷	-.25 ³
	6	.95 ²	.73 ⁶	.12 ⁵	.19 ⁴	.82 ⁵	.54 ²	-.21 ⁴	.12 ⁵	-.06 ⁷	-.28 ³
	Feed	.92	.67 ⁶	.12 ⁵	.19 ⁴	.79 ³	.48 ²	-.24 ²	.15 ³	-.06 ⁷	-.31 ¹
Dec. 31.....	1	1.22 ⁴	1.11 ⁵	.12 ⁵	.19 ⁴	1.09 ⁷	.92 ¹	-.10 ⁷		-.06 ⁷	-.17 ⁵
	2	1.19 ⁴	1.06 ¹	.12 ⁵	.19 ⁴	1.06 ⁷	.86 ⁵	-.13 ²	.02 ⁴	-.06 ⁷	-.20 ²
	3	1.15	.98 ⁵	.12 ⁵	.19 ⁴	1.02 ³	.79 ¹	-.16 ³	.05 ⁴	-.06 ⁷	-.23 ²
	4	1.11	.92 ⁵	.12 ⁵	.19 ⁴	.98 ³	.73 ¹	-.18 ³	.07 ⁴	-.06 ⁷	-.25 ²
	5	1.06 ⁴	.85 ⁵	.12 ⁵	.19 ⁴	.93 ⁷	.66 ¹	-.20 ⁷	.10	-.06 ⁷	-.27 ⁶
	6	1.01 ⁴	.77 ¹	.12 ⁵	.19 ⁴	.88 ⁷	.57 ⁵	-.24 ³	.13 ⁴	-.06 ⁷	-.31 ²
	Feed	.97 ⁴	.71 ¹	.12 ⁵	.19 ⁴	.84 ⁷	.51 ⁵	-.26 ³	.15 ⁴	-.06 ⁷	-.33 ²
Jan. 16.....	1	1.38	1.14 ⁷	.12 ⁵	.19 ⁴	1.25 ³	.95 ³	-.23 ¹		-.06 ⁷	-.30
	2	1.35	1.09 ⁷	.12 ⁵	.19 ⁴	1.22 ³	.90 ³	-.25 ¹	.02	-.06 ⁷	-.32
	3	1.32 ²	.99 ⁷	.12 ⁵	.19 ⁴	1.19 ⁵	.80 ³	-.32 ³	.09 ²	-.06 ⁷	-.39 ²
	4	1.28	.94 ⁷	.12 ⁵	.19 ⁴	1.15 ³	.75 ³	-.33 ¹	.10	-.06 ⁷	-.40
	5	1.23 ⁶	.87 ⁷	.12 ⁵	.19 ⁴	1.11 ¹	.68 ³	-.35 ⁷	.12 ⁶	-.06 ⁷	-.42 ⁵
	6	1.19 ⁶	.79 ⁷	.12 ⁵	.19 ⁴	1.07 ¹	.60 ³	-.39 ⁷	.16 ⁶	-.06 ⁷	-.46 ⁵
	Feed	1.15 ⁶	.73 ⁷	.12 ⁵	.19 ⁴	1.03 ¹	.54 ³	-.41 ⁷	.18 ⁶	-.06 ⁷	-.48 ⁵
Jan. 30.....	1	1.45 ⁴	1.19 ³	.12 ⁵	.19 ⁴	1.32 ⁷	.99 ⁷	-.26 ¹		-.06 ⁷	-.33
	2	1.44 ²	1.16 ³	.12 ⁵	.19 ⁴	1.31 ⁵	.96 ⁷	-.27 ⁷	.01 ⁵	-.06 ⁷	-.34 ⁴
	3	1.41 ⁴	1.06 ¹	.12 ⁵	.19 ⁴	1.28 ⁷	.86 ³	-.35 ³	.09 ²	-.06 ⁷	-.42 ⁴
	4	1.37	.99 ⁷	.12 ⁵	.19 ⁴	1.24 ³	.80 ³	-.37 ¹	.11	-.06 ⁷	-.44
	5	1.33	.92 ⁷	.12 ⁵	.19 ⁴	1.20 ³	.73 ³	-.40 ¹	.14	-.06 ⁷	-.47
	6	1.29	.85 ⁷	.12 ⁵	.19 ⁴	1.16 ³	.66 ³	-.43 ¹	.17	-.06 ⁷	-.50
	Feed		.79 ⁷	.12 ⁵	.19 ⁴		.60 ³			-.06 ⁷	

NOTE:—All fractions or decimals shown as eighths.

Freight Rate used 1914 and 1915 .21c. per 100 lbs. or 12⁵ per bush.Freight Rate used 1921 and 1922 .32¹c. per 100 lbs. or 19⁴ per bush.A point at which the freight per 100 lbs. was 21c. in 1914-15 would be 32¹c. after the decrease in freight Dec. 1st, 1921. Prior to Dec. 1st this would have been a 35c. rate.

Figures marked thus — show a decrease compared to 1914-15.

Audit Dept.,
Feb. 9th, 1922.

In renewing my statement, Mr. Chairman, I think it is very clear; what looks like the decimals are eighths. That is how we deal with grain. You will see there one dollar and five-eighths of a cent. All fractions are shown as eighths. I have a foot-note there to that effect. These figures mean $93\frac{3}{8}$ cents, $93\frac{3}{8}$ cents per bushel.

The CHAIRMAN: It will be quite a job to print it.

Mr. LANGLEY: It will be, indeed. The stenographer in the hotel, where I tried to get a reproduction of it, looked rather alarmed. I would just like to make one remark in connection with it, and this applies generally to the price of grain. We generally speak of so many bushels of grain produced, and we quote the price of No. 1 Northern. I would like to make it clear to the Committee, that the No. 1 Northern is not the average grain produced, either in the province of Saskatchewan or any other province in the Prairie West. The average grade of grain is No. 3, and the average price is lower than that because, in dealing with the lower grades, the spreads are much larger between the different grades than they are between the contract grades Nos. 1, 2 and 3 Northern. With these remarks I wish to leave the question of grain and address myself as briefly as I can, for the benefit of the Committee, to the statement I was making this morning. When I left off I had made the remark that the general advance of the Dominion during the last twenty-five years, the growth of the cities in the East—and I think I might supplement that to some extent, by saying the growth of the industries in the western provinces—had all been traceable to the settlement and development of the Prairie West. The apple trade, which forms so very important an item in the industries of British Columbia to-day, would go out of business almost immediately if any calamity befell the Prairie West, so that, not only have the industries of the east profited, but the industries in more particulars than the one I named, in the sister province of British Columbia, have profited also by the settlement of the Prairie West, and the exports of the Dominion and the imports have been most materially affected, because grain forms, or the products of the farm, form considerably more than one-third of the whole of the exports of our Dominion. In connection with that, any hope we may indulge of a further progress on behalf of the Dominion can look to only one source, or one principal source for making that hope effective, and that is a further extension of settlement and production into the Prairie West. That is possible, of course, because of the fact that in all three of the Prairie provinces there are millions of acres of excellent land still uncultivated, inviting the farmer to come, and without any extraordinary labour such as our forebears had in the older provinces, without any of that labour he has an opportunity of cultivating the land and largely increasing production.

I want now to speak—and I want to speak as deliberately as I can, and as thoughtfully as I can of the condition of the Prairie settlers at the present time. Our friends in eastern Canada have never had an opportunity of really understanding the conditions of the farming communities of our western prairies. Usually some ready-writer associated with the press comes into the west, visits certain farmers, gets what the newspapers call a good story, sends it home, it is widely circulated in the east, and the eastern people reading it say "Now we have a picture of the conditions in the west." But that picture is forty-nine cases out of fifty, and I might make the disparity greater—the description in forty-nine cases out of fifty is misleading. My good friend and co-worker in the farmers organizations in the west, Mr. Wood, the farmer leader of Alberta, an excellent and a most sensible man, when he was down appeared before the Wheat Board and made the bald statement "Our farmers are bankrupt." That does not convey a fair impression of the condition of our farmers on any more than the one upon which I have commented, I want to say this, Mr. Chairman and members of the Committee, that our distances are so large—for instance, my own farming interests are some forty miles east of North Battleford. Just about 250 miles as the crow flies from Regina, where I have to spend a lot of my time as President of the Elevator Company, and the breadth, while not quite so

[Hon. George Langley.]

large as the depth, is very considerable. Over that area the land has all the variations you will meet with in eastern Canada, or in any other general farming community. Some of the land will be of such an excellent quality that with the slightest labour it will give a splendid return. The farmers have made money and to-day are actually making money on that class of land. Again, there will be the other extreme, where the land is comparatively poor, and where the men who are farming it find it difficult under ordinary circumstances to do any more than make ends meet.

From the information I have received through the sources I mentioned to the Committee this morning, taking the poorer class of farmer, I think you could easily, in the province of Saskatchewan, select from fifteen thousand up to twenty-five thousand of them. If they should sell the whole of their belongings, their interest in the land, because it is not large, it is practically all under mortgage—I say these men if they should sell off all their belongings and their interest in the land at a fair commercial value, none of the whole number would have sufficient assets to cover his liabilities. To that extent the statement of my good friend Mr. Wood is a statement of truth and of fact. Between those two there are the men who represent the exact condition, the exact average condition of farmers in our province and in the prairie west generally. Under ordinary circumstances they make money, and they have a balance over and above their outlay. In 1913 the present Premier of Saskatchewan, the Hon. Mr. Dunning, and myself, with Major Mantell went through the province and held meetings, I think at some twelve or fifteen places invited the farmers, who came in large numbers, and we endeavoured to get at what was the actual cost of producing grain. We averaged the statements, and I would like to say, Mr. Chairman and members of the Committee, that these things can never be more than an approximation; exactitude is an impossibility. We averaged the statements, we came to a conclusion and published that conclusion in our report, that the cost of producing wheat as compared with the price we received for the product had practically abolished the margin of profit. That was in 1913. To-day, under the rates that rule for carrying our products from the farms to Fort William, the margin, whatever it was has been wiped out, and we have got below the margin in reference to the general condition of the farmers on the prairies in the west. I speak of course from personal experience, as I told you extending over thirty years, and I speak also with the knowledge I have been able to gain in the positions I have filled, and I should like to point it out by something more. A gentleman saw me in the hotel since I have been here—I came in on Sunday morning—and he said to me, “Mr. Langley, you representative men from the west make statements, but you do not give us evidence.” I am very anxious not only to make statements to this Committee, but as far as possible to give evidence. I find that evidence here: I was a member of the Government until last September, and I find that evidence in the very large and increasing number of applications we have had from farmers to hold back their creditors from foreclosure. And to-day there is established as a part of the Department of Agriculture in the Provincial Government of Saskatchewan a section devoted entirely to the work of protecting farmers threatened with foreclosure, from that calamity which threatens to overtake so many of them. And it is done by direct appeal to the loan companies or implement companies, or other creditors to hold their hand to give the farmers another chance. Now that is being done.

By Mr. Macdonald:

Q. That is due to the fact that the price of grain has gone down?—A. Yes. I am sure, Mr. Macdonald, it won't be necessary to tell you that when you have been hit on the head with a hammer and if somebody comes and supplements that with a club, you can hardly say that each of them has not had something to do with it.

Q. May I remind you that you are not the only people in the country who are having hard times. You talk as if you were the only people having hard times—A.

[Hon. George Langley.]

In reply to that, I would make this remark: That we are the only industry in the country which by the operation of natural forces has gone right back to pre-war conditions. I make that statement. We are the only industry in the country which as an industry has gone by force of natural circumstances straight back to pre-war conditions. As I think all the members of the Committee know, Mr. Chairman—

By Mr. Vien:

Q. You mean in so far as the market price of your products is concerned?—A. Exactly.

Q. Is it not a fact that quite a number of industries have seen their market go altogether, and that there is no demand for their products whatever at any price?—

A. Just as a reply to that, let me say this: There are certain basic industries, foundation industries, upon which other industries depend, and when you injure the basic industry and render it unprofitable, the other industries that depend upon the basic industries will naturally suffer, unavoidably suffer.

By Mr. Duff:

Q. Do you say that farming is the only industry that has gone back to pre-war conditions?—A. I say in connection with the prices obtained because we must sell, gentlemen of the Committee; we are not like an industry that may sell; we are not like an industry that holds its product and says "until things are better we won't sell."

By Mr. Macdonald:

Q. There are a lot of other industries like that. What about fishing?—A. Fishing? We eat a little fish in the West.

Q. You do not eat salt fish such as Mr. Duff's county produces?—A. Yes, I think so.

Mr. DUFF: Very little.

The WITNESS: We would eat more if our industry was more prosperous. I only want to elucidate these matters as far as I can.

By Mr. Duff:

Q. I think that was a broad statement you made when you said that no other industry was back to pre-war conditions. I just want to call your attention to that. It is a broad statement, and I would not like you to go on record as stating that as a fact. I know one industry or two that has gone back outside of agriculture.—A. There is fish.

Q. That is one and lumber is another.—A. I can only say this in connection with lumber: My company was in the habit of building some 30 elevators a year previous to the war, and we have applications on our books from 150 districts to build new elevators, and the reason why we do not build them is because of the price of lumber. Our Engineer was at Vancouver making inquiries and reported to us that the price of lumber had gone down to reasonable conditions, but the cost of transportation made it impossible for him to do business.

Some hon. MEMBERS: Hear, hear.

Mr. MACDONALD: That is not in the Crowsnest pass agreement.

By Mr. Malcolm:

Q. Would you refer back to the statement you made, which is very important, that in 1913 the cost of producing grain had wiped out the margin of profit? Would you enlarge on that a little? Supposing the freight rates are adjusted to 1913, would the same conditions prevail again? That is, that there would be no margin. I think that is a very important stage of the conditions, and a very important statement that in 1913 the cost of producing had wiped out all margin of profit. Would you go a little more fully into that point?

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By Mr. Macdonald:

Q. Just before you refer to that I would point out that the Crowsnest pass agreement does not provide for any lower rates on lumber coming in.—A. Yes, I am quite aware of that, but the fact is that the rates are there anyhow. I dealt with that this morning in making a plain statement that before other conditions can be adjusted rates have got to be lowered as a condition of adjustment.

By Mr. Vien:

Q. Yes, but if you lower it on the articles which are covered by the Crowsnest pass agreement only, it will be impossible to reduce them on other lines, for instance on lumber of which you stand so much in need?—A. Yes.

Q. Whereas if the Crowsnest pass agreement was set aside, the Board of Railway Commissioners would have a general all round reduction which would be helpful not only in respect of the grain growers but also in respect of your elevator companies?—A. Yes, now I have to say to this gentleman that if he will only fall in with my suggestion and reinstate the Crowsnest pass agreement, he will have my full co-operation in getting other rates down.

Q. But the railway experts said to this Committee, and mind you I have an open mind; I am quite willing to follow you, but I would like to overcome the objection of another gentleman who was here before this Committee, and who being a railway expert stated that if the Crowsnest pass agreement was re-established the rates on other commodities not mentioned in the agreement could not come down?—A. Yes, I know; you refer to the statement of Mr. Beatty.

Q. Yes.—A. I read Mr. Beatty's statement very carefully. He stated certain things and assumed certain things.

Q. Will you say that his statement was not fair?—A. I am going to state, if you will let me state my thought in my own way—I will state it so that the members of the Committee will understand it, at least I think so—I have a great respect for Mr. Beatty, a very great respect for Mr. Beatty, but Mr. Beatty has been President of the C.P.R. while the rates have been going up until they have got to and have continued at the high peak, and he cannot seem to adjust himself to the idea of the rates going down.

Q. But Mr. Hanna was of the same opinion?—A. He represents a bankrupt institution, and I do not want to bother with him.

Mr. VIEN: It is the National Railway.

By the Chairman:

Q. That would not make any difference in the question involved in this?—A. Mr. Chairman, the reason for me making that remark is this: I do not want to antagonize any member of this Committee—I should fail in doing the service I came to do. In my judgment, we have not begun to deal with the National Railway difficulty. We have not begun to deal with it.

By Mr. Vien:

Q. My objection was simply put to elucidate the point I have in mind.—A. Yes, was it not understood, Mr. Chairman, was it not given to us to understand by the late Government that in connection with freights we should adjust them in accordance with the needs of the C.P.R. and not according to the needs of the National Railway?

By Hon. Mr. Stewart:

Q. Who did you say enunciated that policy?—A. The late Government.

Q. When and how?—A. You will remember that there was a general outcry against the action of the Board of Railway Commissioners in the general raise. An
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appeal was made to the Government and the Government recommended the Board of Railway Commissioners to reconsider the question taking as the base of their consideration the C. P. R. Am I right, Mr. Chairman?

The CHAIRMAN: I really do not know.

By Hon. Mr. Manion:

Q. Was it not the other way about? I think they said that they must not take the C. N. R. alone but I do not think they said they should only take the C. P. R.—
A. Someone was giving evidence here before me, and Mr. Crerar was present when the witness was speaking. Mr. Crerar, according to the report I received, rose in his place and pressed the very point I have been stating, and Mr. Crerar's objection on behalf of the witness—I am sorry he is not in his place to-night—was sustained. Is that so?

Mr. HUDSON: I think you are correct but we will have that evidence.

The WITNESS: I merely say that in answer to this gentleman who wanted me to give him an answer.

By Mr. Vien:

Q. The only point I wanted to elucidate was this: The railway experts, Mr. Beatty and Mr. Hanna, as advised by their experts, have stated to this Committee that if the Crowsnest pass agreement was put again into effect, it would reduce the rates on the articles mentioned in that agreement, but it would make it impossible for the railway companies to reduce them on other commodities, and you have just given an example of one commodity which you are up against in the matter of rates, that is lumber for the building of your elevators. What we want from the witness is some light on that subject. How are we going to overcome that difficulty if we reinstate the agreement?—
A. Mr. Chairman, Mr. Beatty's statement was made on a general survey of conditions and as another man making a general survey of conditions I want to say this that if the railway companies in our Dominion cannot operate so as to allow the industries of the Dominion to prosper, there is something wrong and seriously wrong in the management of our railway companies.

Q. Perhaps not in the management but in the conditions with which they are confronted?—
A. Yes, as against Mr. Beatty I can only give my opinion, and I have given it. Will you permit me to go on sir? Thank you.

The CHAIRMAN: May I make this suggestion: I do not think you need elaborate the point that the farming industry of the western provinces is in a bad condition. We will admit that. It is well known. It has been demonstrated in Parliament several times this session. I think we have a pretty good idea of that now.

The WITNESS: I thought, Mr. Chairman, you would allow me to add one or two remarks on that point.

The CHAIRMAN: Certainly.

The WITNESS: One I want to make is this: The condition of the money lenders who have invested money in our province is positive evidence of the statement I have made as to the condition of the farming community. I will mention only two things. In the province of Saskatchewan we have a Farmers' Loans institution established by the Government itself to give loans at a more reasonable rate of interest than were being obtained from the private loan companies. Now, the Government borrowed money from the people of the province at five per cent, added one per cent to it for management, which the interest from the borrowers six per cent, and added another one per cent for amortization purposes, that is the repayment of the capital, and loaned the farmers money on their land at seven per cent, the seven per cent including amortization, sinking the capital in the course of some 33 years. Last year the farm loans Board only collected 37 per cent of the moneys due; a very large number of soldiers had been put on the land by the Soldiers' Settlement Board. Now this is the second

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instance in the province of Saskatchewan and also in the province of Alberta, but last year only, according to the published reports, just a little over 50 per cent paid what was due from them to the Soldiers' Settlement Board, and some few days before I came down to Ottawa an item appeared in the newspaper to the effect that 2,300 of our returned men who had settled on the land had thrown up their hands and returned their land and their implements to the Soldiers' Settlement Board. Now I wanted you to see this so that you should have in your mind a definite idea of the conditions of our farming community at the present time, which makes it necessary that a number of representative men should come down here and should try to present to this Committee certain facts which we think go to show the reasonableness of our request for the reinstatement of the Crowsnest pass agreement.

By Mr. Malcolm:

Q. Could you elucidate a little further on the statement I asked you about that farming had not been profitable in 1913, costs had wiped off the margin in the receipts existing at that time. I would like to have further information on that?—A. Very naturally you would want to know what happened after that, if that is the condition, that is the elaboration you wish.

Q. The point I am trying to get some information on is that in 1913—that was previous to the war?—A. Yes.

Q. I take your statement to mean that farming in the West was unprofitable before the war and with the existing freight rates at that time.—A. Exactly.

Q. The costs of growing wheat at that time were greater than the receipts received from the wheat?—A. Exactly.

Q. I would like to know how you arrive at that conclusion?—A. As I said, we went through the province and we invited the farmer to come before us and make statements as to the cost of producing grain, wheat particularly, because wheat is a staple product of the province of Saskatchewan. They came before us and made statements, men coming from different classes of soil made statements. We averaged them all together and having struck an average we compared the average so obtained with the price that was being received for wheat at that time and what I have told the Committee was the outcome of our effort in that direction.

Q. It was based on their statements?—A. What else could we base it on, Mr. Chairman?

Q. That does not seem to bear out the general financial conditions of the fall of 1913 in the West. The fall of 1913 in my recollection in my business was a fall of good payment.—A. I want to elucidate this statement if I can by saying that in our western country, apart from the actual production of grain there is carried on, was then, very largely, a lumbering business in the outlying forests of the province. I hope our friend will give me attention. The lumbering business was carried on during the winter previous to 1913, but when we got to the winter of 1913 our lumber camps to a very large extent closed down for the lack of orders, and consequently we had for the first time in Saskatchewan, unemployed able-bodied men in our cities for the very first time in the history of our province. It was in the winter of 1913. I was Minister of Municipal Affairs and acting on behalf of the Government we supplied \$18,000 to the city of Saskatoon, \$20,000 to the city of Regina, \$16,000 to the city of Moose Jaw and smaller sums to the smaller communities, all to assist men who previously had worked in the woods lumbering in the winter time, who in the winter of 1913-14 could for the first time find nothing to do. Those are positive facts elaborating the statements to which my honourable friend wanted some statement.

Q. I am making the claim that in the winter of 1913 the farmers met their bills and I cannot reconcile the conditions of 1913 in the statement that they lost money as a whole in the agricultural industry of Saskatchewan because it was not a bad payment fall.—A. The thing can be cleared up making this statement, a man who has been previously meeting his obligations with a little to spare will not the first

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time that he finds himself confronted with the fact that the differences of return have become decidedly against him, be in the position where he will refuse to meet his obligations.

By Mr. Euler:

Q. Do you mean they had a reserve?—A. Yes.

By Mr. Malcolm:

Q. I go through the West on a business trip every winter and in the spring of 1914, the business of 1913 was better than we ever had. The business of the spring of 1914 was not bad. It was fairly good.—A. May I ask your business?

Q. Selling furniture.—A. My experience is that the farmers are not very large customers to furniture companies. My experience of the west ranging over the years I have told you is that the furniture you will find in the average farmer's place will not be of a very elaborate character any way.

By Mr. Reid:

Q. Not like what we see around here—A. No.

By Mr. Malcolm:

Q. 1913 was a big crop, 136,000,000 bushels.—A. It does not alter what I said. I only want the members of the Committee to bear this in mind.

By Mr. Reid:

Q. The average submitted to you was for an average of ten years?—A. As my good friend reminds me, he was one of the intelligent farmers that came before us and he was certainly capable of making a plain statement, as you have all witnessed during the time he was a member of this House and as we have proved for a number of years before you knew it. I don't think I need further elaborate the point, Mr. Chairman, in connection with furniture. I did buy some furniture that year for a house I took in Regina.

Hon. Mr. MANION: Maybe that answers your suggestion, Mr. Malcolm.

WITNESS: And the furniture business, as I said, is not carried on in connection with homesteads. I am quite certain it is not.

By Mr. Vien:

Q. You state that in 1913 it had not been a profitable year, that the returns to the farmer, to the wheat producer had not justified the outlay of money or had not given him a profit.—A. That is exactly what I said, sir.

Q. If you say so, can you give us the causes which created such conditions?—A. Oh yes, I can give you the causes and I am very pleased to give them to the Committee. Competition was becoming keen in connection with grain every where. Russia was putting on the market that year, if I recall the figures correctly, between 500,000,000 and 600,000,000 bushels. Australian wheat—the growth of Australian wheat—was being extended year by year. We were having large quantities of wheat from India and the banks of the Nile for the first time. I believe in either 1912 or 1913 grain was exported to Europe as a competitor with ourselves and while I am on that question of competition, I would like to say this: we go into the markets of the world and our wheat is offered for sale. We receive for our wheat that price which is determined by the competition of the world and in no other grain producing country of the world are the geographical conditions exactly the same or near like the same as they are in the prairie west. Take the Argentine, one of our largest competitors. Ocean boats go up the River Plate, right up to the centre of the grain growing districts. Australia's wheat is grown along the seaboard at no place further inland than from 250 to 300 miles. In addition to that, there is the competition we have to sustain in

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connection with Russia and with India. In Russia they had at that time the lowest form of white labour in the world and in India they had the advantage of coolie labour, where they work, you know, for the merest pittance, and we had to maintain among our hired help a reasonable standard of living or we could not get them.

Q. Would that not go to show that when normal conditions come back it would be unsound to go into the wheat production industry on a very large scale?—A. There is this to be said, the wheat producing industry of the prairie west, as I have stated, has been a source of prosperity to the remainder of the Dominion.

Q. Not to the producer and you cannot expect an industry to carry on very long if it is not profitable to the man who is interested in it.—A. I thank you. You are leading right up to where I want you to go, absolutely, just as much as you say rightly that the wheat producer must make a profit and nobody will contest that statement. On the other hand it would be unsound to carry it out on a large basis if it is not profitable, when normal conditions are re-established on the markets of the world, the Canadian wheat cannot compete with the rest of the world. I would ask you now to let me go on for a minute. If an industry is vital to the welfare of a community and certain special conditions are necessary to enable it to carry on, the rest of the community in its own interest must be prepared to establish those special conditions. That is why we ask for the re-instatement of the Crowsnest pass agreement.

By Hon. Mr. Manion:

Q. Would you apply that to the manufacturing industry, for instance, in the east?—A. Yes. I hope you don't want to draw too many red herrings across the trail. I look at the returns of the income tax and I see manufacturers and the manufacturing interests are paying very heavy income taxes. That is because they have very heavy incomes.

Q. Some of them.—A. And the farmers are paying little income tax because they have no incomes to pay taxes on. That seems to me reasonable and conclusive. I wanted to before I close touch on a subject that I approach with regret, but I was especially instructed to touch on it and I shall do so. If this Committee does not report in favour of the reinstatement of the Crowsnest pass agreement, what ever arrangement otherwise might be made on Mr. Beatty's suggestion, and I am doing Mr. Beatty no injustice, any more than he would do me, because he would say that Langley is a pleader for the farmers all the time and I would say that Mr. Beatty is a pleader for the railways all the time. If we do not get the Crowsnest pass agreement reinstated, we are immediately thrown into the hands of the Board of Railway Commissioners and I want to say this just as emphatically as I can say it that the farmers of the West have lost all confidence in that body. As a proof of that, when Mr. Motherwell was running his election, the Minister of Agriculture was running his election in Regina, he made this statement and it is in print and he won't repudiate it. He said if he was elected as member for Regina he would put on the order books of the House of Commons as one of the first things he did a motion asking for Mr. Carvell to be removed from the Board of Railway Commissioners.

By Hon. Mr. Manion:

Q. Have you seen any sign of that motion?—A. He makes a number of motions.

By the Chairman:

Q. I do not think any good purpose will be served by your going into that.

HON. MR. STEWART: Do not be too sensitive, Mr. Chairman.

WITNESS: I do not think my defence by this gentleman presages any good to me.

By the Chairman:

Q. What I was going to say is that we have heard in the House of Commons half a dozen times at least about Mr. Motherwell's statement, and I do not know

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that this Committee of the House of Commons is going to hear criticisms of the Railway Board or the Chairman of that Board. I do not think it will get us anywhere?—A. I do not endorse Mr. Motherwell at all. I do not consider Mr. Carvell is any more to blame than any other member of the Board. I have known Mr. Carvell for a number of years, and have admired him, and I would not single him out from the rest of that body.

By Mr. Vien:

Q. Mr. Langley—A. Just one moment.

Q. I would like to ask you now could you kindly give us the reasons why there is such a distrust of that body?—A. Yes, I can.

Q. Briefly?—A. Yes. Before I state that, I want to state this: The impression is abroad among our farmers, and I am a representative farmer, that the Board of Railway Commissioners has ceased to be a Board of Railway Commissioners and has become a Board of Railway Company Commissioners.

By Mr. Duff:

Q. You must prove that?—A. Now you want the proof?

By Mr. Vien:

Q. We would like some facts which would tend to show the truth of that statement?—A. A portion of the Board of Railway Commissioners came through the West—

By the Chairman:

Q. Oh, Mr. Langley, I do not think you should—A. Well, these gentlemen have asked me for the proof.

Q. I will assist you in withdrawing—

MR. VIEN: Mr. Chairman, the witness has made a very broad statement, that the Board of Railway Commissioners enjoyed the distrust of the whole of the West. I think such a statement justifies the question: What are the dire causes of such distrust? Are there any sound reasons for this distrust to exist, or is it simply an impression? The witness says there is a wide impression in the West that the Board of Railway Commissioners has ceased to be a Board of Railway Commissioners and has become a Board of Railway Company Commissioners. If it is an impression we should not be too impulsive. If there are facts to justify the statement which the witness has made, I think we are all interested in knowing what those facts are. If there are any real causes for such distrust to exist, I think it is our duty to remove or reconstruct the Board of Railway Commissioners.

The CHAIRMAN: It will be a very difficult matter to prove, and I was trying to keep Mr. Langley away from it.

MR. DUFF: He made the statement—

MR. SHAW: He said, in effect, that the Board of Railway Commissioners had lost the confidence of the West.

MR. VIEN: He said it was a wide impression in the West, and I asked him: Are there concrete facts, or are there dire causes justifying that distrust, and if so, could you briefly state them?

MR. SHAW: I do not object to the question.

MR. DUFF: The witness comes before this Committee representing a large proportion of the West, and if that impression is abroad we want to know it. We want him to prove it.

WITNESS: I am not without some insight into the ordinary brick wall, but I will state these facts as briefly as I can: We appeared before the Board of Railway Commissioners and stated certain facts similar to those I have placed before you in

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connection with the heavy rise in freight rates. That was done at various points. I myself, with a number of others, appeared before the Board in Regina. Others appeared before the Board at Saskatoon. My good comrade Mr. Brown, who is now a member of your House for Lisgar, met the Commissioners in Manitoba. At these places the Commissioners listened to us with impatience, and, we believed, with incredulity. And after they had received our statements they came down to Ottawa and weighed the matters up and delivered judgment, and so far as we were able to find out our statements were not considered at all as part of the evidence before them in their summing up. It is those conditions that have created the distrust I have mentioned before this Committee.

By Mr. Duff:

Q. That would not be sufficient?—A. They came down to Ottawa and considered the matter and delivered their judgment, and so far as we were able to gather, our statements were not considered by them in any way whatsoever. That is why we appeal to this Committee of the House of Commons to hear our statement.

By Mr. Malcolm:

Q. On what date was that judgment given? I have no recollection of that judgment being handed out.

Mr. SHAW: 1920.

WITNESS: Yes. Previous to their coming through our country they had given a rise in railway rates of 40 per cent in the East and 35 per cent in the West, and we appealed for a lowering of that heavy rate increase stating the matters that I have endeavoured to state before this Committee, and in coming to their conclusion they finally made a small reduction of 10 per cent. It went into effect last December, and that is as near as I can get to it.

By the Chairman:

Q. As I understand it, you appeared before the Railway Board and argued the case on behalf of your people?—A. Exactly.

Q. And the Board did not agree with the views expressed by you. That is all it means?—A. It meant more than that, it meant that they did not take any notice at all of what we said.

By Mr. Vien:

Q. They overruled your representations?—A. I do not know whether they were overruled or not.

By Mr. Malcolm:

Q. They have never given any judgment. That is the judgment that is being held up now?—A. Oh, yes; they did give judgment.

Q. After hearing you?—A. Yes, certainly they gave judgment.

Q. You said they came back to Ottawa and gave judgment without considering your evidence?—A. Exactly.

By the Chairman:

Q. I think we should let that matter stand now?—A. I only want to put that gentleman right (Mr. Duff) who apparently feels very much hurt about something. Mr. Carvell and one of the commissioners issued a judgment favouring—

By Mr. Duff:

Q. That was not in connection with the investigation in the West at all. That was after the reduction in wages. They made a cut of 10 per cent in the rates after the reduction in wages. That has nothing to do with the investigation held in the [Hon. George Langley.]

Western provinces. There has been no judgment delivered upon that question yet. It was an arbitrary reduction of 10 per cent due to the reduction in wages. There has been no decision handed out yet in connection with the investigation you are talking about.

By Mr. Vien:

Q. And I understand, Mr. Langley, if I am right, that the Board of Railway Commissioners cannot reduce the rates until such times as a decision is reached in connection with the further suspension or reinstatement of the Crowsnest pass agreement. They say if the Crowsnest pass agreement is reinstated they will have to increase the rates, or at least not reduce them on some other commodities?—A. No, no, sir; you are all wrong.

Q. That was the statement made by an expert before this Committee?—A. But, Mr. Chairman, as a matter of fact, the Chairman and one of the Commissioners did give a written judgment favouring a lowering of the rates to the extent of 10 per cent, and three other Commissioners gave their judgment against it. Those are all facts which the members of this Committee are just as conversant with as I am.

The CHAIRMAN: Mr. Symmington, what are the facts in connection with that point? Will you please state them in order that we may have it settled?

Mr. SYMMINGTON: Yes. The facts are these: After an application for a stay of the 40 per cent increase an appeal was taken to the Governor in Council, and they sent it back to the Board with certain directions. The Board held an investigation in which was included the trip to which Mr. Langley refers. The Board left Vancouver in the spring of 1921, and it held the sittings to which Mr. Langley refers. When it got to Winnipeg, it was there stated and realized that that case was going to take a very long time, because they were going to hear the Maritime Provinces, the Province of Ontario, the Province of Quebec, and so on. Accordingly, I made an application for an emergency reduction in grain rates. It was not a formal application by filing a petition in the usual way, but simply a verbal application there. Whether it had anything to do with the subsequent calling together of the railways when 10 per cent reduction was given I do not know. Mr. Duff is, I think, perfectly correct in stating that the hearings to which Mr. Langley has referred were in connection with the equalization of rates case which is at present before the Board.

Mr. LANGLEY: Is there anything else you wish to ask?

The CHAIRMAN: I do not think so, Mr. Langley. You favour the retention of the Crowsnest pass agreement; you have made that clear.

Mr. STEWART: Mr. Beatty expressed a view that the Crowsnest pass agreement applied only to the lines in operation in 1897, and that it is a matter of law if it were revived it would not apply to lines built either east or west since 1897. If that were the case, would you still favour the revival of the Crowsnest pass agreement, Mr. Langley?—A. Yes, I would. I am sorry the chairman is not here for the moment.

The CHAIRMAN (Returning): Did you want me to protect you, Mr. Langley?—A. Yes.

Q. You seem to be able to look after yourself pretty well, I think.

By Mr. Stewart:

Q. I simply stated that when Mr. Beatty was before the Committee he expressed the opinion that it was the view of the C.P.R. that as a matter of law the Crowsnest pass agreement applied only to the lines of railways east and west in operation in 1897, and that as a matter of law if it were revived it would not apply to lines built either east or west since 1897. If that were the case, would you still favour the revival of the Crowsnest pass agreement?—A. I do not think it is fair, Mr. Chairman, to ask me to give an opinion upon a problematical case. In this case, Mr. Beatty is in the unfortunate position of acting as both suitor and judge, when he expresses that opinion.

Q. You will not express any opinion?—A. My own opinion is that the thing was settled by the application of that agreement to other similar agreements under the discriminatory or the non-discriminatory clauses of the general Railway Act.

Q. You have read Mr. Oliver's evidence, I presume?—A. I have heard most of it.

Q. In referring to the revival of the Crowsnest pass agreement or the adoption of general commodity rates which might result in an operating deficit upon the railways, he expressed himself in this way:

“Isn't it a case where you are carrying one commodity at a loss for a special industry at the expense of other industries, in other words, you are charging excess prices for service rendered some other commodity, or some other industry so as to benefit some other industry. I don't think it is fair and I don't think it is good business. I would like to recommend this principle for the consideration of the Committee, that where it is necessary as a matter of public policy to carry goods at less than the service given, that excess should be carried by the nation at large, and not by having that excess put upon some other industry or some other locality.”

Do you agree with that principle?—A. As a general statement, yes, but as applied to this case, I do not think it is a matter that belongs to the dispute at all.

Q. Do you believe in a commodity rate affecting other basic industries, aside from those in the Crowsnest pass agreement?—A. No, I believe that where an industry is vital to the welfare of the whole of the Dominion, that industry should be dealt with upon terms that will allow it to operate and at least prosper to the extent of paying what it ought to pay.

Q. And if that results in an operating deficit, is it your idea that that should be taken care of out of the general revenues of the country?—A. I can only state that that condition, so far as the Crowsnest pass agreement is concerned was in operation in the year 1908 until the year 1917, and it did not result in any such conditions that you assume would be the result.

Q. You have already expressed the opinion, or you have just expressed the opinion, aside from the Crowsnest pass agreement altogether, as I understand you, with reference to certain other basic commodities?—A. When was that?

Q. I understood you to say so just now?—A. I said that in a general way I would accept the conditions laid down by the Premier of British Columbia.

Q. And if they resulted in an operating loss, is it your view that it ought to come out of the general revenues of the country?—A. I am not at all prepared to talk about the general revenues of the country, in connection with the Canadian Pacific Railway.

Q. On the other hand, if it resulted in an operating deficit, would it be your view that the deficit in operation on the C.P.R. should be paid out of the general revenues of Canada?—A. My dear sir, I would want positive proof that it would result from that.

Q. I am only asking you in case it did; what is your view as to how it should be taken care of?—A. As a rule, I cross my bridges when I come to them.

By Mr. Vien:

Q. But we have to cross them now, because the railway experts have made it clear, not only the advocates of the C.P.R. but the highest officials of the Canadian National Railways as well; they have made it clear to this Committee that the reinstatement of this agreement would cause an additional deficit on the National Railways, and the question which is put to you as the witness is—I see you are a little bit impatient, and I am sorry my question is so long, but not so long as the answer will be, I am sure. If such is the case, and this is a serious statement made by the railway experts to this Committee, if such is the case, what would you advocate?

[Hon. George Langley.]

--A. If the members of this Committee are prepared to accept statements of railway experts as the law and the Gospel—

Q. We do not say that at all; we say that if it was proved to this Committee what would you advocate?

By the Chairman:

Q. As far as these figures are true, that is what Mr. Vien means.

AN HON. MEMBER: What do you say?

The WITNESS: Yes, Mr. Chairman, but it is beyond my comprehension to suppose it.

By Mr. Vien:

Q. Suppose it is proven to you that such would be the result, what course would you suggest to this Committee?—A. Let me give my answer in the way of an illustration. My son manages my farming interests; we talk together of a certain method and I tell him that I would like a certain method pursued. He says to me, "If I do that we may find the balance on the wrong side of the books at the end of the year." I say to him, "Well, Frank, before you put it down to my suggestion, I would like an examination made of the whole condition." I should not accept his suggestion that the result would be traceable to what I had proposed, and, Mr. Chairman and gentlemen of the Committee, I do not accept the suggestion either of Mr. Beatty or of the gentleman who manages the Canadian National Railways or the railway experts that the result of the deficit they talk about would be traceable to this thing. It would be traceable to other causes, and I named one of them this morning, namely, wages and salaries. But, Mr. Chairman and gentlemen of the Committee, I do want to say this, that you will make a fatal mistake if you treat the wages paid by the C.P.R. or the other railways and the dividends paid as the only sacred thing which you are to consider, or which is to be considered by this Committee.

Q. You do not agree with Mr. Hanna when he says there is going to be a deficit of \$10,000,000?—A. I think he can manage it better than that; at least I think I could manage it.

Q. You do not agree with Mr. Hanna? But there is going to be a deficit of \$10,000,000?—A. I cannot say that; I say that the \$10,000,000 will not be traceable to that.

Q. But he says yes?—A. Not if the management is conducted properly, in view of the general statements.

By Mr. Macdonald:

Q. But here you have an estimate based upon the results of 1921 conditions?—A. Exactly.

Q. He is the man to whom a great many people of this country are giving a blank cheque of \$75,000,000 every year to spend?—A. I know that.

Q. He is supposed to be the man whose judgments will guide the Government of the country on any such large question, and you say you do not agree with his estimate?—A. No, no; that is what I avoided saying. I had to deal with the management of my business as I explained to the Committee this morning. Let me go on for a moment. I carry on a system of farming, where I have hired help. We have four or five men in the ordinary way, and a dozen men at harvest time. Well, the price of grain has gone down, and I have to meet that condition. When the men came to engage with me this spring—and I may say that these are men in whom I have the utmost confidence, because they have worked for me for years—I said to them this: "Last year and previous years since the war at inflated prices I paid you, Louis, \$80 per month and board; I paid you, Tom, \$75 a month and board, and the other three men I paid \$70 a month and board. This year I cannot do it, the prices will not allow me to do that; the prices have to be \$50, \$45, and \$40." The men, recognizing the position, said to me, "Very good, but if you cannot do better than that for us we accept the terms and will go to work as usual."

[Hon. George Langley].

Q. But they do not belong to an international union. I asked Mr. Beatty or Mr. Hanna, I think it was Mr. Beatty, if they could make separate rates of wages for their men from the rates in the United States, and they said that the result would be a strike, nation-wide on the railways of this country?—A. And we have read in the papers these last few days of reductions amounting to, I forget how much.

Q. More than \$40,000,000.—A. Is that going to take place in the United States, and nothing occur here?

By an Hon. Member:

Q. I think it will occur here, and will according to the statement of Mr. Beatty himself. But you were stating apparently that you thought the control of the rates of wages for these men was in the hands of the House of Commons?—A. No. I appeared before the Railway Commission when they were represented there by Mr. Lanigan, and I stated distinctly that the arrangement with their employees was matter for the railway management, not for the Railway Commission.

By Mr. Vien:

Q. The remark was made by Mr. Beatty, and the reason was given for reducing the rates, or rather two reasons were given; the main one was that their employees belonged to international unions, and that the rates applied as well to the United States as to Canada, owing to the affiliations of the Unions. The second reason was that they had a large mileage of their system in the United States, and that the rates of wages in the United States applied to their employees in American territory, and for these two reasons it was not in their hands altogether to reduce wages as they wished?—A. I understand all that, Mr. Chairman, I only say that this Committee of the House of Commons could throw the responsibility on the railway management dealing with these questions, and their policy in connection with any recommendation they make to our law-makers should be a recommendation that will be to the general advantage of the interests of the community, and if the railway companies put up any statement—I was going to use another word, but I will not—if they put up any statement that nothing can be done, I think it is the duty of the House of Commons of Canada, to tell them that something must be done.

By the Chairman:

Q. In connection with wages?—A. In connection with wages and salaries generally. Do not let it be thought that I am speaking of the wages of the working man; I am speaking of the salaries of the higher officials as much as the wages of the working man.

Q. Do you question the wisdom of the policy in 1919 which resulted in the suspension of the Crowsnest pass agreement?—A. I am not going to question the wisdom of anything done during the war or immediately following the war. We all wanted to win the war and wanted to make the best conditions possible after we had won the war.

Q. Do you not agree that the ground for the suspension of 1919 was the increases in the wages of railway employees?—A. No.

Q. What in your opinion was the cause of the suspension?—A. That is what I am going to answer—In my opinion, the reason for the raising of the rates was due as much as anything to the higher prices of grain and the ability of the farmers to pay the rates.

Q. Where did you get that; I am asking for information; upon what do you base that statement?—A. I base it upon something which I hope is not uncommon to any of us, and that is the basis of common sense.

Q. Is that the only answer you want to give?—A. What answer can I otherwise give?—Here is a body in the position of the Board of Railway Commissioners, which is asking to raise rates. It seems to me that the very first question that such a Board should inquire about is this: Are these people who pay the rates in a position to pay the increased rates? Would that not be reasonable?

[Hon. George Langley.]

By Mr. Mitchell:

Q. Wasn't that question asked, as a matter of fact?—A. Yes, and we had to practically admit that it was so. Now it has been transformed altogether, and our people are not in the position to pay the rates.

By Mr. Stewart:

Q. In your opinion the suspension rested upon the consideration of the shippers. It depended upon the article shipped, not upon the cost of the service?—A. I did not say that.

Q. Well, what do you say?—A. I want to give my own answers. It did lie in equal measure upon the ability of the producers to pay the increased rates; they were in a position to pay them, but today they are not in a position to pay them.

Q. So far as that part of the consideration which raised wages goes, has that improved in your opinion substantially since 1919?—A. I think it has. What about this ever cutting of rates in the United States. Mr. Beatty says we are tied up altogether. That is what he practically said. Well now, so far as operating over the line is concerned, they have this heavy cutting of rates over the line. One gentleman said—what was it?

An Hon. MEMBER: Ten per cent.—A. \$40,000,000. When I read the article in the newspapers it stated that a further cut will be made. If these cuts are going to be made, I hope they will include the higher officials as well as the workmen. If these cuts are made we get down to the possibility of your being able to reinstate the Crowsnest pass agreement without interfering with anybody.

By Mr. Vien:

Q. The only difficulty in which we find ourselves, if we have to accept the evidence which was received before this Committee, that at present, not talking of the future reduction, but at present, a general all around reduction is impossible so long as the Crowsnest pass agreement is in force?—A. Well, evidently, Mr. Chairman, they do not want it to be in force. They might have said so in simple words, but so far as the conditions render it impossible to reinstate it, what we have said between ourselves within the last five minutes has shown that the impossible conditions do not exist.

By the Chairman:

Q. It is a fact, is it not, that those increases were given by reason of the adoption of the McAdoo schedule and the Chicago award in the second instance. That is Mr. Stewart's question and that is substantially correct.—A. But—

Q. No, no, answer me. Is that not substantially correct?—A. Mr. Chairman, I would do anything for you.

Q. In the interests of fact Mr. Stewart wants that elucidated and made clear. Let us be frank about it.—A. I will be perfectly frank.

By Mr. Macdonald:

Q. You do not agree with Mr. Hanna about that either.—A. I will be perfectly frank. If it had been made known to the Board of Railway Commissioners, or if they had paid attention to it after it was made known that the shippers were not in a position to pay those rates, whatever might have been the reason for raising them, do you think they would have raised them?

By the Chairman:

Q. The first raise was under the War Measures Act, and if I remember correctly it probably gives the McAdoo schedule as the reason for the raise?—A. That is quite right, but you have not answered my question.

[Hon. George Langley].

Q. I want to get my own answer first; I am a Scotchman. I only want you to admit that fact so that it will not be longer in controversy. It is along the line of your own theory and you should admit it.—A. Admission is a dangerous thing.

Mr. MACDONALD: Mr. Langley does not propose to admit anything.

By Hon. Mr. Stewart:

Q. The Crowsnest pass agreement was suspended by section 325 of the Railway Act of 1919, and in that suspension there is no provision for any rate at all. That suspension was made in order that the whole question of rates might be determined by the Board of Railway Commissioners. I asked Mr. Langley the simple question if that suspension did not rest upon the consideration of increased cost of operation owing to increased wages and other causes incidental to operation?—A. Well it did with the addition that I made today before, that there was a general conception that the shippers could pay the advanced rates.

Q. Now I ask Mr. Langley upon what he rests that statement?—A. I gave an answer; of course I gave an answer.

Q. Common sense?—A. Yes.

Q. That is the only answer you have to give?—A. What answer else is there to give? I would do anything, Mr. Stewart, to accommodate you but I take this ground, if the Board of Railway Commissioners as a sensible body of men, and I will admit that they are, had been satisfied that in raising those rates they would put a burden on that industry which the industry could not carry, they would not have raised them.

By the Chairman:

Q. It applied to all classes of commodities?—A. Exactly, we were all benefitting from the prices of the war and immediately following the war.

Q. You approved of it this morning; you said you did not disapprove of it?—A. I did not disapprove of it.

By Hon. Mr. Stewart:

Q. Were you a member of the Saskatchewan Government in 1919?—A. Yes.

Q. Did the Saskatchewan Government object to the suspension of the agreement by the Railway Act of 1919?—A. No, but if it had been now, they would have very seriously objected to it.

Q. On the basis, I would judge from what you say, of fifty-fifty; that is having regard to the value of the commodity shipped and 50 per cent of the wages. Would that be the idea?—A. Certainly.

Q. Do you think that wage conditions have substantially improved since 1919?—A. Yes.

Q. Do you mean in prospect or as an actual fact?—A. Most assuredly. I stated this morning, and I want to restate it, that the workmen on our railways are the most intelligent of our workmen in the Dominion, and if those rates are put down on the ground that the industry cannot pay the higher rates and an appeal is made to the workmen, they are too sensible in their own interests to put an impossible proposition up to the managers of the railways.

Q. You would not favour making an appeal to the men prior to the reduction?—A. No, until you reduce the rates. They would say "no, you reduce the rates and we will consider it." That is what I would say if I was one of the men.

By Mr. Hudson:

Q. Mr. Stewart has asked you if you were a member of the Saskatchewan Government in 1919 when the Crowsnest pass agreement was established. Was the Saskatchewan Government consulted about it?—A. Not in the slightest.

Q. Did you know anything about it until afterwards?—A. Not until it was done by the House of Commons.

[Hon. George Langley.]

By Hon. Mr. Stewart:

Q. You know it was done by the House of Commons in the most open public way by an Act that was before a Special Committee of the House for months. You knew that surely?—A. Oh, yes.

By the Chairman:

Q. It does not matter whether he did or not; he approved of it?—A. Yes, of course I approved of it. I admit that we approved of it. We were all in a position where we had to chip in in the national interests.

Q. Let me ask you one question. You say that you approved of one increase under the adoption of the McAdoo schedule and the Chicago award?—A. I do not know whether I said that.

Q. No, I am wrong, you admit that the increase in freight rates was due to the increase in wages?—A. Yes.

Q. You admit that?—A. Oh, yes.

Q. And you say you approved of this increase of freight rates; you have admitted that several times?—A. Yes, certainly.

Q. Then your view is that conditions justified those increases of freight rates?—A. Exactly, now we have got together.

Q. Now do you say that conditions in relation to wages and the price of materials have so altered that freight rates can be put back to where they were in 1917?—A. I say—

Q. Answer that please?—A. No, no.

Q. Not yes or no?—A. Oh, no.

Q. You will look after yourself alright, I know?—A. You want to be fair to me?

Q. Yes, but do not forget my question.

Some Hon. MEMBERS: Go on.

The WITNESS: The Chairman wants to protect me, and I am anxious to get the benefit of his protection.

Mr. VIEN: We are not attacking you; we are trying to get the truth.

The WITNESS: Mr. Chairman, your question is whether I agreed with the suspension of the Railway Act and the alteration of the freights?

By the Chairman:

Q. No, I did not ask you that because you had already admitted that several times. I asked you if in your judgment there have been such changes, reductions in railway wages and railway materials, as to justify a return to the freight rates existing before these increases were made namely in 1917; and if so, why?—A. I do not think I should say the affirmative to that. But I do say that in so far as the Crowsnest pass agreement is concerned, the alteration in the conditions affecting the produce of the farms is such that a return could be made and should be made to the old agreement, and that the employees of the railway companies would be quite willing to accept a reduction of wages bearing in mind those conditions. As to the larger general thing, Mr. Chairman, you would not press me to express an opinion about that.

The CHAIRMAN: I am not going to ask you too many questions for there is another witness.

By Mr. Macdonald:

Q. Would you be in favour of giving us the benefit of a reduction in the East?—A. Yes.

Q. How would you recommend us to get it?—A. You have to begin sometime.

Q. That is your theory?—A. Yes.

[Hon. George Langley].

Q. Why could you not begin all over in all parts of the country?—A. If you begin all over you won't begin any where.

Q. You think not?—A. No. You have to begin at some definite point and here is a definite point where you can begin with justice.

Q. But the railways come to us and they say we are prepared to reduce rates on basic commodities all over the country right at once.

Mr. VIEN: 17 per cent on wheat.

By Mr. Macdonald:

Q. Don't be ungenerous. Don't you think we ought to have some too in the east?—A. I only want to say one thing more, before the Chairman releases me. You are looking or Mr. Beatty is looking to a large influx of immigrants for the purpose of a very much larger production so that the railways will have larger traffic. Unless you deal radically with freight rates, and you can deal with them by reinstating this agreement, unless you deal with them radically in the west, it is no use sending immigrants up there. They cannot live and they won't stay there.

Q. You don't want us to have a reduction of rates?—A. Oh, yes, I do. I would give you anything, Mr. Macdonald.

By the Chairman:

Q. Your view is a general one. You say let us have an immediate deflation of railway rates, deflation of railway wages, so that the deflation of other rates and other prices will follow and you will have a golden era?—A. Exactly.

By Mr. Vien:

Q. You would not say very general round reduction all at once?—A. If you are looking for a general round reduction, if you are trusting to the mercy of the presidents of railways, God help you, is all I can say.

Q. I think it is not a fair statement. It has been stated before this Committee that if the Crowsnest pass agreement is not again put in effect, instead of having a reduction of rates on a certain line of commodities, it will be a general round reduction on a number of other commodities which are not mentioned in the agreement. Do I understand you to state that you would rather have a reduction on these lines of commodities which are mentioned in the agreement than a general round reduction on a number of other lines?—A. First of all I want all the reductions I can get, not merely for myself, because I am not a parochial or a provincial man. I am a Canadian. I am as anxious for the prosperity of the East and the West as for the prairies, but you have to definitely begin somewhere. Mr. Beatty frankly admitted that he would give a general all around reduction because that was easier for the railways than the other. He frankly admitted it. I read his speech.

By Mr. Macdonald:

Q. You say we ought not to take that if we can get it?—A. I think the gentlemen of the Committee have the right to press the railways for more than they have promised.

By Mr. Vien:

Q. And the Board of Railway Commissioners is there for that, but the Board of Railway Commissioners are pressed also from other sources to reduce other lines of commodities when you have that agreement set aside in the first place.—A. These matters are altogether too general.

By Mr. Euler:

Q. Might I ask Mr. Langley whether in his opinion he considers it preferable to re-establish the Crowsnest agreement according to the suggestion of Mr. Beatty and others, to have a new agreement made, a modification if you like, which would

[Hon. George Langley.]

serve not only the Prairie Provinces, but also the rest of Canada by way of general reduction on commodities?—A. Mr. Beatty does not want to let go the tribute he has placed us under in connection with grain rates, and I make this statement deliberately before this Committee that if we don't go back at least to the condition of the Crowsnest pass agreement on grain rates, bearing in mind the present price of grain and the probable prospective price of grain, you are dealing a vital blow at the agricultural interests of the prairie West and its result will be reflected over all the business interests of the Dominion.

Q. If the new agreement would give you just as favourable rates on grains as the Crowsnest agreement would, would you then consider a new agreement might be preferable?—A. I don't know whether I am going to offend the people who sent me here or not, but I do say this that if we were promised a reduction on grain freights that should be equal to the Crowsnest pass agreement, we would be willing to consider anything else in a spirit of concern for the interests of the other portion of the Dominion.

By Mr. Macdonald.

Q. The grain rates are the great thing with you?—A. They are, Mr. Macdonald.

Q. The other things of the Crowsnest agreement are not of so much importance?—A. They are not. I understand we are going to get free agricultural implements and we can pay a little more for freights.

Q. The grain rates are the thing?—A. Yes. They are the thing.

Witness retired.

Mr. JOHN F. REID, called, sworn and examined.

By the Chairman:

Q. Mr. Reid, will you state your position?—A. Representing the Canadian Council of Agriculture along with Mr. Lambert and Mr. Langley. I might state that the difference between my colleagues, Mr. Langley and Mr. Lambert is that I am an actual farmer, living on the farm and Mr. Langley has told you where he lives, most of the time, that he is the President of the Saskatchewan Co-operative Elevator Company. He did not tell you what salary he draws, and that Mr. Lambert is Secretary of the Canadian Council of Agriculture and lives in the city of Winnipeg.

By Mr. Vien:

Q. You might tell us the salary.—A. You better get Mr. Langley to tell you.

By Mr. Macdonald:

Q. He would not tell us.—A. So therefore I depend entirely on the proceeds of the farm. I know a little about western Canada. I came to Canada in 1882 and in 1883 I homesteaded where my farm is to-day and outside of the four years or a part of the four years which I spent here in Ottawa attending the five sessions which we put in in four years, I have lived continuously on the farm.

Q. What part of the West?—A. Northeastern Saskatchewan, Yorkton vicinity. The people in the West believe we have in this Crowsnest pass agreement a sacred contract, if you like, a covenant entered into by the Government of Canada for the people of Canada on the one hand and by the officials of the Canadian Pacific Railway for the company on the other hand. We believe that both parties entered into this agreement in good faith and for a consideration. I think it was three millions of dollars. That does not seem very much to us to-day. Three million dollars to-day is a mere flea bite, but twenty-seven years ago three million dollars was very consider-

[Hon. George Langley].

able. I say that we have in this a fair agreement. It was made, I believe, to stimulate the production of grain very largely in Western Canada. Now I was glad to hear your Chairman say to-night that the members of this Committee and of this House of Commons know the deplorable condition of the agriculturists in the prairies to-day. I believe the Chairman knows it, but one of the honourable members of this Committee stated here to-day if the freight rates were lower and we had a little more money that the farmers would be spending it in California.

The CHAIRMAN: That was a little repartee. You must not take that too seriously.

WITNESS: I have lived on the prairies continuously since 1883, endeavouring to farm, and I have never yet been able to visit California and I never expect to be if I stay farming. I want to tell you gentlemen, and I shall not be long, and I know that you will not put the questions to me that you put to my friend Mr. Langley because you know I would not attempt to answer them. I want to tell you in plain language that I know whereof I speak. I am not going to tell you that we farmers are bankrupt, but I am going to show you the condition that we are in. If the average farmer in Saskatchewan or in northeastern Saskatchewan which is one of the most favoured districts in Saskatchewan were to be sold out to-day under the hammer, we could not pay our debts. We produced a crop last year at an enormous expense and we paid the high freight rate on it and I am very well acquainted with one farmer who lost \$7 on every acre of crop which he cropped and his sons, two of them, and his daughter and his wife and himself worked the year around and received not one penny from the farm. I want to tell you this again and I know you will believe me, that we cannot produce, we cannot continue to produce grain and pay the present freight rates. It is an utter impossibility. Now then what are you going to do? You say, "We are going to bring in more immigration." A friend of mine asked me since I came to Ottawa—he said, "Reid, would you, if you had a friend in the Old Country with a few hundred pounds, and a grown up family of boys"—desirable immigrants, although they are Scotch—"would you advise them to come to the Northwest, to Saskatchewan, and start farming under present conditions?" What was my answer? Simply this. I said, "No. Under present conditions, no," and I don't care how many papers in Canada publish that fact to-day. If the old timer, with his land paid for, with his implements paid for, with his horses or cattle and machinery all paid for, cannot make it pay, what about your new immigrant lacking in knowledge of prairie conditions? These are the facts, gentlemen, I wish to put before you, and as Mr. Langley said, the one thing we must have if we are going to produce grain, is a reduction in freight rates.

By Mr. Dickie:

Q. Might I ask the gentleman a question? What reduction in the freight rates would be necessary in order to insure your success approximately?—A. I don't blame all this on the excessive freight rates, but the freight rates we are paying to-day on our grain affects the price of every commodity which we consume on the farm. My good friend knows that.

Q. Just what reduction would there be, because you cannot have too great a reduction, because the railways must exist? I am in entire sympathy with your statement.—A. I think we are reasonable in our request in asking that the rates of 1917 be restored in northeastern Saskatchewan, where I live.

By Mr. Vien:

Q. What would be the percentage of the reduction?—A. I can give you that, Mr. Vien, in 1917, in northeastern Saskatchewan, which is about 228 miles from Winnipeg. We figure all our prices Fort William basis. Our rates in 1917 were 17 cents per hundred pounds, grain in bulk, carload lots.

By the Chairman:

Q. What point is that?—A. Yorkton, Kamsack
[Mr. John F. Reid.]

Q. What year was that?—A. 1917.

Q. They were how much?—A. Seventeen cents per hundred pounds.

By Mr. Vien:

Q. Is that from that point to Winnipeg?—A. No, Fort William.

By the Chairman:

Q. To-day they are 27?—A. To-day they are 27.

Q. And if the reduction that Mr. Beatty and Mr. Hanna spoke of came into effect, it would go back to 22½, would it not?—A. About that.

Q. Twenty-two and a half cents per hundred?—A. Yes.

By an hon. Member:

Q. If the Crowsnest pass went into effect, how much?—A. Nineteen cents. You must realize that every dollar which you take from the farmer out of his products leaves him that much less to go ahead with. It means a difference between profit and loss. We have no quarrel with the railways. I put the proposition up fair to you, something must be done if you want the prairie farmer to produce. I am glad there are a number of western farmers on this Committee who know just what I say is correct. If you want railways in a depopulated prairie, with no production of grain—evidence has been given here that it is the grain business that makes the railways pay, and I believe it is and you have to choose between a rusty line of steel rails in a depopulated prairie, or take less freight rates and have our farmers stay there.

By Mr. Vien:

Q. We all agree on that point.—A. Well, I am glad.

By Mr. Macdonald:

Q. There is a difference of 4 cents a bushel, 3½ cents a bushel between what the railways presently propose, and what it was under the Crowsnest agreement.

The CHAIRMAN: The Crowsnest rate from Yorkton was 11.4 cents.

Mr. MACDONALD: No. It was 20½ cents.

By the Chairman:

Q. That is per hundred, but a bushel of wheat is only 60 pounds. In bushels it was 11.4 in 1898. In 1918 it was 13.5 and at the present time it is 16, so the proposition made by the railways at the present time is to go back to 1918, which is just 2 cents higher than the Crowsnest.—A. In 1917, if I remember correctly, we had a 17-cent rate. There are railway men in this country who will correct me if I am wrong.

Q. Yes, 17 cents per hundred pounds?—A. Yes. On a bushel of oats at the 17 cent rate it made 5.78.

By Mr. Hanson:

Q. Was not that less than the Crowsnest rate?—A. Two cents less. With regard to the difference in wheat to-day, we were paying in 1917 10.20 on a bushel; to-day we are paying 16.20. That would make a difference between profit and loss. My good friend over here rather disagreed with the statement Mr. Langley made in connection with the cost of production of wheat which the Saskatchewan Commission investigated. I was one of those who were asked to submit figures to show the approximate cost of producing wheat, oats and barley, and we were asked to take an average of ten years. We found by careful calculation along two lines that it was costing us then 26½ cents to produce a bushel of oats, and 66 cents to produce a bushel of wheat; and you cannot produce it for that figure in Ontario. Now, we arrived at it from two angles. We took the price of what teams could be hired for, that is a gang plough and a man with five horses to plough by the acre by contract. Then we took what it cost us to keep our own horses over the winter, and do the work ourselves or hire men.

[Mr. John F. Reid.]

Then taking a fair value for the land, interest on investment, and the prices of our machinery, just the same as business men would do, and allowing wages for the farmer and his son—

By Mr. Macdonald:

Q. That is true of all other industries?—A. Just a minute, Mr. Macdonald, and I will finish my statement—and we found that my sons and my daughter and myself worked all last year without wages. I doubt if I can hold my boys very much longer on the farm. They say: “Dad, this does not look good to me.”

Q. That is true in every other walk of life, it is true in my own constituency where there are coal miners who have not worked for four or five months. It is true in other parts of the country, and it is a great problem for us all?—A. I am endeavouring to show you that something must be done, and the responsibility rests with this Committee. I believe the report of this Committee will decide what Parliament will do in the matter. Mr. Langley made a statement here in regard to the Board of Railway Commissioners. Perhaps it was a strong statement to make, that out in the West we had absolutely no confidence in that Board. Gentlemen, I want to tell you that that is so. I am sorry it is so, but it is the fact. So the people of the Prairie Provinces are looking to this Committee and this Parliament to do something definite, and not to sign a blank cheque to the Board of Railway Commissioners.

By Mr. Vien:

Q. Do you disbelieve in the institution itself or in the personnel?—A. I believe the institution is the proper thing.

Q. Do you think the personnel should be changed?—A. It is up to you men in Parliament. Then again, to show the real seriousness of the situation, last fall our farmers could not pay their municipal taxes. Many of them could not get enough from their crop to pay their threshing bill and their help; the price of help, of course, was very high. Our municipal councillors petitioned the Provincial Government to pass legislation to enable them to suspend the penalty clause on unpaid taxes, and the Provincial Government passed the necessary legislation and made it legal for the municipal councils to suspend the penalty clause on the unpaid taxes, and it stays suspended to-day because the banks shut down on us. The farmers get practically no credit to-day out there. Their purchasing power is gone. I do not blame the banks for shutting down on us, because we produced a crop that would not pay expenses, and the banks cannot hand out money year after year without there is a return upon it. I want this Committee and the members of this House of Commons to thoroughly understand the conditions of the West, and to realize that we are not all sporting off to California. The Hon. Mr. Motherwell, the Minister of Agriculture, stated in the House of Commons this Session that farming could not be put on a commercial basis. Many of us have found that to be the fact. Then surely it is time that something is done. In conclusion, let me say this: What helps Western Canada to prosper must certainly help all the Dominion of Canada. We consume in clothing and in implements more per capita than the people do in any other part of the Dominion of Canada. We are consumers of machinery. I see a gentleman in the audience shaking his head. If I was to shake my head he would say there was nothing in it. I repeat that we in Western Canada consume more per capita in clothing, machinery and fuel than is consumed in any other part of the Dominion of Canada. We cultivate large areas. As you know, a quarter-section in Western Canada is but a field. We consume huge amounts of machinery, but we are not buying one piece of machinery to-day unless we are compelled to buy it. What was the price of a binder on the western prairies last fall? The high price, the dealer told us, was due partly to the high freight rates. Eight years ago I bought a seven-foot binder with a fore-carriage for \$162 spot cash. Last year I had to pay, because I absolutely had to have a binder, \$321 spot cash for exactly the same type of Canadian-made binder; but the price of my product came down to pre-war levels.

[Mr. John F. Reid.]

By Mr. Macdonald:

Q. That is a condition that exists all over the country in everybody's business. I think you should take that into consideration. Those representing eastern constituencies realize that every business is in exactly the same condition. It is not a condition that is peculiar to the West?—A. I will give you a kind invitation to come West and start farming alongside of me.

By Mr. Michaud:

Q. I do not think you would come east and lumber at the present time if you wanted to make money.

Mr. HUDSON: Mr. Chairman, I do not think members of the Committee should be permitted to argue with the witness.

Mr. MACDONALD: Several gentlemen who have come before us have made exactly the same statement as this witness has made, and I think it is only right to point out to the witnesses that their difficulties are not local, but that all other industries are labouring under similar difficulties and similar problems.

The CHAIRMAN: I suppose Mr. Reid means that we can all be helped by a reduction in rates. He is offering that as a solution.

By Hon. Mr. Stewart:

Q. Would you state to the Committee the outstanding considerations, aside from freight rates, which in your opinion make farming unprofitable to-day?—A. Would you like me to answer that in my own way, Mr. Stewart?

Q. Yes?—A. Then wipe out the tariff. That is one thing. Then give us the Wheat Board and reduce the freight rates.

Q. Those are the three factors?—A. Yes.

Q. You do not recognize world conditions and world prices of what you produce as a factor?—A. We are satisfied to take the world's price if you will allow us to buy our needs in the world's market, the cheapest market.

Q. And the considerations you have mentioned would, you think, make up for the low world's price of what you produce?—A. It would help very materially.

Q. Do you think it would make it up and make farming profitable to-day?—A. I would not say it would make it profitable, but it would make it possible to live on a farm.

Mr. Chairman, in conclusion I would ask this Committee to consider this matter very seriously, and not to tinker too long with the West and the requests which are made by the West repeatedly, and are seemingly forgotten. You heard the statement made by the Hon. Premier of British Columbia. I have nothing more to say about that, but I say: Do not tinker too long with the requests made by the West, but remember that the Prairie Provinces are a part of Canada. I thank you.

By the Chairman:

Q. This Committee will have to make up a report some time, and it is certain that there will be some reduction almost immediately in basic commodities. Do not you think that would be followed by a reduction in wages?—A. That a reduction in wages would follow?

Q. Yes, might follow the general deflation all round?—A. Yes.

Q. And if the Committee in its judgment does not see fit to put into operation the Crowsnest pass agreement again, I would like to point out that it would not mean that the new rate is going to stand forever. I would look for reductions quite frequently in the future.

The WITNESS: I hope your prognostications will come true, Mr. Chairman.

[Mr. John F. Reid.]

Q. Along with the other decreases in commodities and wages which are bound to come?—A. Mr. Langley put it very plainly. The essential thing is a reduction in freight rates on grain. That is the great industry that we carry on out in the west.

By Mr. Vien:

Q. I do not believe there is any question as to that, Mr. Read. I think the Committee would be unanimous in trying to obtain a reduction in freight rates. Even the railways have declared their willingness to go immediately, off their own bat, as far as 17 per cent of a reduction in wheat rates. That is their offer. I do not say the Committee should limit itself to a 17 per cent reduction on the wheat trade, but that is what they offer, what they have declared their willingness to offer. We could, of course, debate a long time on the necessity of reducing the freight rates on wheat; we all agree upon that point. The question before the Committee is whether this reduction should take the form of a reinstatement of the Crowsnest pass agreement, or if it should take the form of a general all-around reduction on all other lines of commodities as well. The statement having been made in the Committee by railway experts that if the Crowsnest pass agreement were reinstated, it would mean no reduction in other lines of commodities, or a very substantially increased deficit in the operations of the rates. What do you say about all that?—A. Just one word in regard to the attitude of labour. I have been making it my business to talk with conductors, brakemen and engineers, in my travels up and down the country, and I have yet to meet the first railway man who will oppose a reduction in wages if the rates are lowered, because the railway men travelling through the prairies know the conditions of the farmers out there, and they are prepared to assist by accepting a reduction in wages.

Q. Do you believe they are prepared to go to a lower rate of wages than the United States rate of wages?—A. I could not answer that.

Q. The railway experts say they have to be governed by the American railway rates of wages, for two reasons, the first being the international unions to which their workers belong, the second reason being their railway mileage in the United States, and for these two reasons they contend that they have to await a reduction there. Mr. Langley has spoken about a 10 per cent reduction which has taken place within a few days. There is no doubt that that reduction will take place in Canadian railway rates as well. The question is, would you prefer the Crowsnest pass agreement or a general reduction all around?—A. The people of the west believe that in that Crowsnest pass agreement they have a contract or a bargain, a definite covenant, and naturally they do not like of course to give it up.

Mr. VIEN: At a certain moment, with the approval of Mr. Langley and his friends, always this agreement was set aside.

Mr. HUDSON: That is not fair. Mr. Langley did not say it was set aside with his approval. He approved of it afterwards, not that it was set aside with his approval. I want to say to this Committee that a great deal has been said about there being no objection to that. There was objection as a matter of fact. I know that Manitoba did not hear about the matter until it had advanced into the Senate, and then strenuous objection was made by the Government of the Province of Manitoba. I do not know about the other provinces, but I do not want any member of this Committee to go away with the impression that that was acceptable to or accepted by any one of the western provinces, with their knowledge.

Mr. STEWART: Did any member of the Committee say so?

Mr. HUDSON: All of these questions are being interposed with a suggestion that the western provinces consented. That is not the case.

Mr. STEWART: Mr. Langley was asked a question, if he objected.

Mr. HUDSON: He did not know about it. How could he object?

[Mr. John F. Reid.]

Mr. STEWART: He was asked if he approved of the policy which resulted in the suspension and he said, yes.

Mr. HUDSON: He approved of it afterwards. But that is different to being a party to or consenting to it being done.

The WITNESS: As a war measure he was satisfied to carry his part of the burden; so were we all.

Mr. VIEN: I quite admit Mr. Hudson's correction. But that does not affect my question, nor change the situation. The Crowsnest pass agreement was set aside.

The WITNESS: Or suspended.

Q. It was suspended, which is as easy as being set aside. For the time being it was set aside. The conditions which prevailed then are not altogether removed; they have been improving to a certain extent, but they have not been altogether removed, and the same reasons which prevailed at the time of the suspension still prevail to a certain extent, although not to the same degree. Do you admit that?—A. Yes. I tried to show you the conditions of the agriculturist, that he was up against an impossibility. There is the whole thing, in a nut shell. We simply cannot pay, with the present rates. We have put in, and are putting in this year, I believe, in the west an acreage which will be very nearly up to last year. In some districts it has been very wet. The season was late in being started, and perhaps the acreage for the whole community will not be much less than last year, with this hope in view, that the rates should be reduced. If they are not reduced this year before the harvest, we will not have the acreage in 1923 that we had in 1922.

Q. I will stand before a reduction, I will stand for a substantial reduction in wheat rates. The question is, will it be better to have a general all-around reduction than to have a reduction on the lines of the commodities covered by the agreement only?—A. Well, that would be something to consider across the table, with the representatives of agriculture on the one side and the railway management on the other.

By Mr. Stewart:

Q. Is stock raising an important business in certain sections of your province?—A. Yes.

Q. Would that industry benefit largely by a revision of rates that would reduce the eastward freight rates?—A. Let me give you one case, Mr. Stewart, that you have brought to my mind, although I did not intend to mention it. This happened last fall. A shipment of steers was shipped from the Peace River district to Edmonton, three carloads. When the man sold them in the City of Edmonton, paid his debts and balanced up, he was \$18 in debt.

Q. That would be an argument in favour of a general reduction; that would include live stock, would it not?—A. Again the rates on grain from the Peace River district today are absolutely prohibitive. I could give you figures, but it is not necessary.

Q. Is it your opinion that the rate on grain under the Crowsnest pass agreement is so important that it eliminates all other considerations, in your province?—A. Well now, why do you ask me that?

Q. I am asking you that question in order to reach some conclusion as to the relative merits of the proposition for the revival of the Crowsnest pass agreement, and a general reduction in commodity rates, or a general revision?—A. I have already told the Committee, Mr. Stewart, that a reduction in grain rates is the most important.

By Mr. Macdonald:

Q. In your district, what is the chief occupation of the men living there. Is it grain growing or mixed farming?—A. Grain growing, largely.

Q. Stock raising too?—A. Stock raising too.

Q. Do you grow much oats up there?—A. We grow about one-third wheat and two-thirds oats and barley.

Q. Where is your market?—A. Fort William. It all goes east.

By Mr. Vien:

Q. For export?—A. For Ontario and east.

By Mr. Macdonald:

Q. I don't know that we have had it here, but what is the difference between the selling prices of grain to-day and what they were in 1919, say?—A. That has been submitted by Mr. Langley. If I gave you the figures, I would only be repeating his figures.

Q. The price was fixed by the Wheat Board in 1919, but what for instance was the selling price of oats and barley last fall on the average?—A. I could not say from memory.

By an hon. Member:

Q. What do you think of the possibility of grain being shipped to Vancouver, even supposing the rates were satisfactory? What do you think the possibility is of grain being shipped to Europe through Vancouver and the Panama Canal?—A. I understand that a trial shipment was made of wheat from Vancouver.

Q. It is claimed that seven million bushels were shipped last year. One half going through the Panama Canal to Europe, and the other half to the Orient?—A. The British Government made a trial shipment; you can find it in the Department of Trade and Commerce. The condition of the grain was equally as good when it arrived at Liverpool as it was when it left Vancouver harbour. I understand that in going through the Panama Canal there is an almost prohibitive charge or toll. I think it is about \$1 a ton; that is the capacity of the ship, I presume. That would make the rate prohibitive, I would think.

By Mr. Macdonald:

Q. It is only speculation?—A. It is only getting information from some other expert.

By Mr. Vien:

Q. Mr. Langley has spoken in respect of the consideration given in 1918 to the agriculturists as revealed in that informal investigation, and if I understood him correctly, he found that in 1913 it was not a paying proposition to grow wheat in the Prairie provinces?—A. Taking your basis of calculation, as your Minister of Agriculture told you in the House, farming could not be put on a commercial basis, and in arriving at my figures as to the cost of producing a bushel of oats, a bushel of wheat, a bushel of barley, and so on, taking a period of ten years, taking the average of the ten year crops and eliminating wages for myself, for my sons and my wife, the value of my farm, profit on the investment, and so on, as a business proposition it did not pay.

Q. What is the prospect in the West so far as that is concerned?—A. I think you told me, Mr. Vien, that you yourself were born on a farm, and you should know that if it was not for the long hours of the farmer and his family, including his wife, farming would not pay. Farming as a commercial proposition, even in Western Canada, in very rare cases, has been made to pay even on a large scale.

By Mr. Euler:

Q. Don't you think that the real reason for that is the distance from the market of the western prairies?—A. Is it not the case in the province of Ontario that farming cannot be put on a commercial basis? Do not your farmers have to work long hours the same as in the West?

[Hon. Mr. Oliver.]

Q. I am asking you if that is your opinion?—A. You cannot say that Ontario is far from the market.

Q. It is not as far as the West, but I am not prepared to admit that farming is not profitable in Ontario.

By Mr. Malcolm:

Q. I asked you that question because I was sorry to hear the assertion that grain growing was not profitable in 1913. Your statement is more enlightening, and your method of calculation is perfectly correct to my mind. You argued that the cost of raising a bushel of wheat was 66 cents. That would be your estimate of the cost of raising a bushel of wheat last year. How much has that changed?—A. I would say—I am speaking roughly from memory as I have not the figures—I would say that at least they were doubled. Wages were doubled and everything we had to buy was doubled.

Q. Under the present prices of grain there would have to be a material reduction in farm labour as well as in freights and other things. What this Committee is trying to find out—at least what I want to know is—just the question that has been insisted upon by Mr. Vien and Mr. Stewart, that you would receive a great deal of benefit from the reduction in other commodities which the railway companies offer in your purchase of lumber and so forth. They do not intimate to us that they will be willing to make as great reductions in other commodities, if we insist upon the full letter of the law in the Crowsnest agreement. Now, the question the Committee wants to decide is, what is going to be best for you? The railway companies are offering a general reduction which will reflect to your benefit on all those basic commodities in which you are a heavy loser, and the difference is only a matter of two or three cents on a bushel of wheat. We would like to have your opinion whether a reduction on those other basic commodities would be of as much assistance as the Crowsnest agreement on special commodities?—A. I think the way the Premier of British Columbia answered that question was this: if I had a doubled barreled gun in my hand, am I going to hand it to my opponent?

Q. I am not arguing at all for the abrogation of the Crowsnest pass agreement. I appreciate the fact that its abrogation—the railway companies never asked us to abrogate that agreement in making the offer of reductions; at least I did not understand it so. They said it was not possible for them to give the Crowsnest pass terms and those reductions on other commodities too. They may be in favour of a further suspension of it. I think you have to treat the question apart from the entire abrogation of the agreement. There may be a further suspension for a year or two. What we are trying to do is the best we possibly can do for your condition?—A. Well, Mr. Malcolm, what would you suggest? You are one of our legislators in the Federal House; what have you to offer us?

Q. Do you want my suggestion?—A. Yes. What would you suggest to me to take back to my people in the West? Here is a financial proposition. Give me something to go back home with.

Q. The suggestion I have—I will be perfectly frank—is that if we can make a bargain with the railway companies on basic commodities that would be of greater assistance to the West than the actual reinstatement of the Crowsnest pass agreement I would take that bargain. I appreciate the fact that the Crowsnest pass agreement is 25 years old and it does not apply to traffic moving east. It does not apply to the lumber industry of which you are a great consumer and of which you will be a greater consumer in your building of new elevators and farm houses. But inasmuch as we are receiving evidence and you are giving it, it is very useful to us to have your viewpoint. The railway companies do offer substantial reductions. As Mr. Vien pointed out, there is no reason to suppose that the Committee would be satisfied with 17 per cent on grain. I agree that that offer does not seem to be a solution inasmuch as it does not cover all the basic industries that the West is interested in?—A. I suppose

[Mr. John F. Reid.]

you have noticed that the associated boards of trade of the West which compose representatives from all the business classes in Western Canada, declared in favour of putting into effect the Crowsnest pass agreement. In those boards of trade we have representatives from the merchants' associations, and so on. It is not only the farming community that is asking for this.

By Mr. Euler:

Q. Did they know there was an alternative proposition?—A. I don't think so.

By Mr. Malcolm:

Q. No, that is the point?—A. I presume these business men out there are pretty keen sighted, are looking pretty closely into the matter. I don't say at the same time if a concrete proposition was placed before them, but here is how it looks to me, is it fair to ask the west to give up this agreement unless we have a definite proposal on the other hand?

Q. I don't think it is. We are asking you in view of the definite proposal which we have, would it not be wiser to consider an alternative proposition. The business men who have voted in favour of the Crowsnest have not had the same evidence before them that we have had as a Committee?—A. Further, I believe, the other day the eastern section of the Manufacturers Association have declared in favour of the Crowsnest pass.

Q. I believe that is so?—A. And we consider them generally pretty sharp business men.

By the Chairman:

Q. There might be practical difficulties about that. You concede that just at the moment?—A. I grant you; but you would not find the organizations in the west opposed to a concrete proposition, but we have to see it first.

Q. You think the people of the west realize that there is a problem in connection with this matter. If it can be settled in a practical way that will carry some advantages, you don't say they won't accept?—A. You yourself, have butted up against some western people. Have you not always found them reasonable?

Q. I like the men from the west very much. I found them putting up some propositions sometimes that were a little extravagant?—A. They are like everybody else these days.

An Hon. MEMBER: I have been on this Committee. I have heard no definite proposition from the railway companies that I would call definite, reducing the rates.

Mr. VEIN: Did not the President of the C.P.R. say he was willing to—

The CHAIRMAN: Yes, but that is not a definite proposition.

By Mr. Shaw:

Q. You have been out west quite a bit. Have you heard any sentiment anywhere reflected from newspapers, Boards of Trade, or otherwise, favouring a further suspension or an abrogation of the Crowsnest pass agreement??—A. No, sir.

Q. And as a matter of fact, the public opinion is exactly and almost unambiguously the other way, is not that a fact?—A. All demanding the re-instatement of the Crowsnest pass agreement.

The CHAIRMAN: The public all over Canada are demanding a reduction in freight rate. I have to attend a Committee on Banking and Commerce tomorrow morning, but that is no reason why this Committee should not meet tomorrow morning if it is agreeable. If not in the morning, we might sit in the afternoon.

Mr. MALCOLM: When are we going to have a further hearing from Mr. Beatty on this proposition?

The CHAIRMAN: It is the understanding that Mr. Beatty is to return to the Committee. He promised to do so. Some members of the Committee have made that request, and Mr. Hanna, as well, but we will settle that a little later.

[Mr. John F. Reid.]

Mr. MACMURRAY: I understood Mr. Beatty was to give us a schedule of reductions and that they were to be with you.

The CHAIRMAN: I was going to make a request to the members of the Committee who have made requests for statistical information if they would leave a memorandum of it and the name of the party from whom they requested it so that I could see it was put before us.

Mr. VEIN: I think Mr. Lanigan is here.

The CHAIRMAN: Mr. Lanigan is here all the time.

Mr. MACDONALD: I want to file a verification of a certain schedule of rates which I gave to Mr. Hayes last week and it has been gone over by him and corrected.

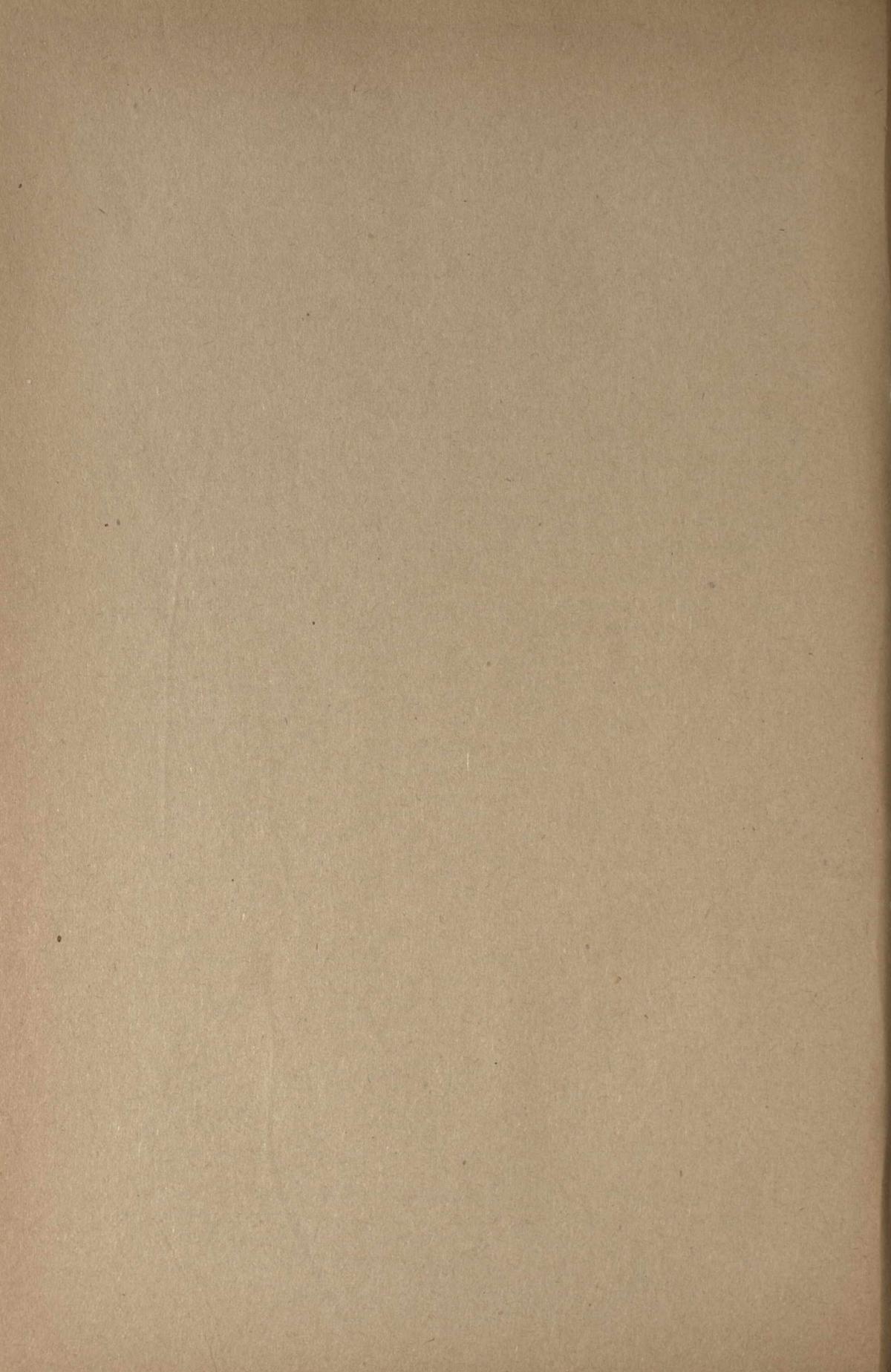
The CHAIRMAN: I am filing two statements filed by the Grand Trunk. Had you better sit in the morning? Mr. Symington will be before the Committee to-morrow morning at 11 o'clock.

Mr. VEIN: In respect of the documents filed.

Mr. MACDONALD: I was going to ask that we have certain statements yesterday handed in here on behalf of British Columbia in the statement made by Premier Oliver. It was stated by Mr. McGeer that these were copies of what had been filed with the Board of Railway Commissioners. They raised certain presumptions and I would like to ask that the railways give us the answer if they have any to make on these statements that were submitted by Mr. Oliver.

The CHAIRMAN: Mr. Lanigan and Mr. Hayes will take notice of these statements when they appear in the proceedings, I presume.

The Committee adjourned until 11 o'clock a.m., May 31, 1922.



OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 9—WEDNESDAY, MAY 31, 1922

NAME OF WITNESS

Mr. Symington, representing Manitoba, Saskatchewan and Alberta.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

WEDNESDAY, May 31, 1922.

The Select Standing Committee appointed to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest Pass agreement on July 6th next, met at 11 o'clock a.m., the Chairman, Mr. Maclean, presiding.

The CHAIRMAN (Mr. Maclean): Gentlemen, I have to be away for at least part of the day. There is a motion that Mr. Euler act as Deputy Chairman to-day. Mr. Euler will take the Chair.

The ACTING CHAIRMAN: I presume it is the wish of the Committee to have Mr. Symington make his remarks without any more interruptions than are necessary, in a similar manner to that adopted in the case of the other witnesses, after which he will be questioned as you may desire.

H. J. SYMINGTON, called and sworn.

Mr. SYMINGTON: I do not mind being questioned, sir.

The ACTING CHAIRMAN: I mean unnecessarily.

Mr. SYMINGTON: Mr. Chairman and gentlemen of the Committee: I am here representing the province of Alberta, Saskatchewan and Manitoba. I have not come here to argue a rate case, or to fill you with figures. That has already been done before the Board of Railway Commissioners, which, in my humble judgment, is the proper place for an argument of that kind. What I intend to try to do is, to place before you certain basic principles in speaking of the rate situation in Canada, and why the Crowsnest Pass agreement is of the paramount importance, which I gather you have come to the conclusion that we in the West think it is, and why, upon the principles of law, equity and justice it should not under any circumstances be removed. Before starting, however, I desire first to dissociate myself as plainly as I can from criticisms of the Board of Railway Commissioners. The Board of Railway Commissioners is a body of men who are interpreting a statute of the Dominion of Canada; they are interpreting that statute as they see it, sincerely and properly, and my argument is in no sense, and my statement is in no sense a criticism of the actions of the Board of Railway Commissioners in any way whatsoever. They may or may not err in their interpretations of the Railway Act, but if their interpretation of the Railway Act is correct (and they think it is) then, the Crowsnest Pass Railway Act is all the more important to the Western Provinces, and in my submission to the Dominion of Canada. On the suggestion of the Chairman, I had prepared my statement in writing; I am not used to reading things, but I have done it. Sitting in the Committee during the last few days, listening to the questions, it seemed to me that there was some ambiguity or misunderstanding as to the basic situation, and therefore I intend first to offer the facts as I see them, so that the Chairman and members can understand the subsequent facts submitted to them. Before doing that, with respect to the remarks of the Hon. Mr. Oliver, neither I or we have any quarrel with Mr. Oliver's contention that there is a discrimination against the Province of British Columbia getting into the Prairies. If he can make out his case, as he ably and well tried before the Board of Railway Commissioners, there is ample power under the decisions of the Board of Railway Commissioners to deal with that discrimination. Neither do I intend to deal at any length with

[Mr. Symington.]

respect to the discrimination which exists against the West respecting the East, other than in pointing to the fact, which is in our view of the facts, a basic one. The reinstatement of the Crowsnest Pass rates does not create a disparity against the east, but to some extent removes the disparity which has existed for years in favour of the east as against the Prairie west. With respect to Mr. Oliver's contention as to the matters germane to the issue, namely, the Crowsnest Pass agreement, I can only say without further remarks that the members are entitled to consider an argument which uses up a great deal of time in a printed pamphlet, pointing British Columbia's claims and the sacredness of the contract which they claim was a Confederation Contract, and combine it with the contention that there should be some sort of conditional suspension of another contract, a condition of course that it is advantageous to the province of British Columbia, and so with respect to any of the other provinces which have been for some time setting forth agreements, implied or otherwise, I can only say this, that if Sections 325—5 of the Railway Act, which is the Section of the Act which suspends agreements, that it suspends all agreements, not only the Crowsnest Pass agreement, but it suspends agreements implied or otherwise, and if there is any merit in the maritime or British Columbia contentions as to a confederation covenant or agreement, they are absolutely and totally eliminated by the continuance of that Section. In Canada we have three scales of rates: first there is the eastern scale which, as I will develop later, is held down by maximums created by water competition, potential and otherwise, and by American rail competition. Second, there is the prairie scale, higher than the eastern scale held down—never before until 1917—but potentially held down with respect to certain commodities by that statutory agreement, the Crowsnest Pass agreement. Third, there is the mountain scale, which is higher than the prairie scale. That mountain scale is this: that the Board said in view of various conditions of operation and traffic, costs and so on, that the railways will haul on the prairies 150 miles for what they will haul in the mountains 100 miles, or in the British Columbia section. So that you will see that this agreement—and I will give you an exact decision upon this exact statement of facts—that whatever reductions there are upon the prairies by reason of the Crowsnest Pass agreement, that must be reflected in the British Columbia rates, because the British Columbia rates are based upon prairie rates. If they succeed in their contention in either removing or diminishing that mountain scale, the lowering of prairie rates benefits them just the same, whether their contention is right or whether it is wrong, or whether it is partly right or partly wrong. That was decided by the Board in the Pacific Coast case, and for the benefit of the members of the Committee who do not know it, and for the benefit of the other members of the Committee who do know it, the only reductions involving British Columbia, if British Columbia has ever got them, were acquired by reason of the lowering of the prairie rates in the Western Rates Case and what they got by reason of the Crowsnest Pass agreement in the Pacific Coast Case, which I will deal with in connection with another principle in a few minutes. The only reduction in that application, which was a reduction upon many commodities, the only reductions made were upon commodities covered by the Crowsnest Pass agreement, because a discrimination was created against them, and therefore their rates were adjusted to meet the reductions in Crowsnest Pass commodities. So that you have the three scales of rates, one held down in the east, second, the scale in the west held down by the Crowsnest Pass under abnormal conditions, because I will show that the Crowsnest Pass does not under normal conditions hold down western rates at all, and that the eastern maximum is fixed by those two causes, namely, water and American rail competition, which neither the Board of Railway Commissioners, this Parliament nor anybody else can control, that the western maximum is a controllable maximum, bought and paid for under the Crowsnest Pass agreement. Before coming again to my statement about the railway estimates, without any disrespect

[Mr. Symington.]

to either Mr. Hanna or Mr. Beatty, we do not accept railway estimates by their experts as necessarily right. This estimate, in our judgment and in the judgment of our experts, is wrong. I have heard Mr. Beatty make many estimates, in the rate cases which we have had, and I can point out to you many cases where the estimates were all wrong. You may take estimates upon certain conditions, certain basic facts; if you are wrong at the start, you interpret them in your favour or otherwise, and your estimate is absolutely wrong, and where the impression seems to have been created in this Committee that Mr. Beatty said the loss to the C.P.R. by reason of the installation of the Crowsnest Pass rates would be \$15,000,000, he said no such thing, and he was very careful to say no such thing, and I propose to show you how he said no such thing. What he said was this: that if you took the 1921 returns and day conditions, I have no quarrel. I want you to understand that of that \$15,000,000, With that statement, in so far as you eliminate opinions as to results of present day conditions, I have no quarrel. I want you to understand that of that \$15,000,000., according to our estimates and according to our figures, at least \$7,500,000 is made up of the reduction which took place all over Canada on December 1, 1921. It is not fair to leave the suggestion that that deficit is caused by the Crowsnest Pass agreement. When Mr. Beatty comes back, if he is coming back, ask him. Mr. Beatty says that the loss on grain haulage would be seven million and some odd thousands of dollars. In that I think Mr. Beatty is perfectly correct, but I will venture to suggest that Mr. Beatty cannot show the loss of another million by reason of the Crowsnest Pass agreement rates. So far as the Canadian National is concerned, the Canadian National loss by reason of the installation of the Crowsnest Pass agreement, if Mr. Beatty's views as to the effect upon the rails which were covered by that agreement is correct, the loss to the Canadian National is practically nothing, because they were not in existence.

The ACTING CHAIRMAN: Mr. Symington, do you agree to the statement made by Mr. Hanna that if the Crowsnest Pass agreement is reverted the rates will automatically go back to 1918?

Mr. SYMINGTON: I am coming back to that, if you allow me.

The ACTING CHAIRMAN: You had better stay with it now.

The WITNESS: I think Mr. Hanna went a great deal farther, if you want me to answer it now, and I do not think it is the duty of either the Railway Company or myself to say what our particular opinions are with respect to the law.

The ACTING CHAIRMAN: It is a legal question, of course.

The WITNESS: I propose to ask this Committee to accept the law as it has been found. If it is wrong, it is wrong, and if you accept the law as it has been found, it is that the rates are fixed by the Crowsnest pass agreement govern the rates from similar territory upon the same commodities, hauled under the same conditions, and that it is not an excuse for discrimination that those rates are governed by the Crowsnest pass agreement. I was just coming to that now, on the question of discrimination. The Railway Act says that there must not be discriminations between persons and corporations, and there must not be discrimination between localities. I am wrong in that. There must not be unjust or undue discrimination. Section 319 of the Railway Act provides that where there is discrimination, not undue or unjust, but where there is a difference, a disparity, the onus is upon the railway companies to show that it is not unjust or undue. You will understand the situation. The railway companies, when, we replied that we were discriminated against in respect of eastern rates answered and the Board has held it to be a good answer. True, there is a disparity, a discrimination, and I propose to give you the four or five decisions in all the rate cases to that effect, that there is a discrimination, a disparity against us, but the railways have satisfied the onus of showing that it is not unjust or undue, because railway rates in the east are held down by water

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competition and American rail competition, something they cannot control, and therefore that excuses that discrimination. With respect to the western position, they have held that the rates fixed by the Crowsnest pass agreement are not imposed rates. They are self-imposed rates. They are rates which the railway companies themselves come in under an agreement, and therefore if the East says you are getting a discrimination by putting in the Crowsnest pass rate upon this freight, that discrimination will be at once removed because the rates of the Crowsnest pass agreement were something entered into by the railway themselves. That is, they were self-imposed and therefore do not excuse discrimination. Now, there is a fundamental difference between the controlling maximum in the East and the controlling maximum in the West. The one is all-sufficient to create disparity; the other is not. It is a self-imposed rate, and therefore all other rates must bear their proper relation to it. That is one of the reasons which I submit on the facts why it is essential that the western protection, doing no harm to anybody under the present Act should be maintained. The Crowsnest pass maximum in the West on the commodities covered, has not for years been any good to the West, but the maximum in the East has continued year by year and throughout has been of valuable service in keeping down eastern rates and creating disparity between the East and the West.

By Mr. Vien:

Q. Do I understand you to say that the rates in the East which were lower comparatively than the rates in the West were governed in the East by the lake and rail routings and also by competition which had to be met?—A. American rail and water competition.

Q. So, if that is true, it seems to me that it can hardly be said that the maximum rate in the East has been of any advantage to us, because that maximum was never reached or could not have existed owing to the lake and rail routings and also to the competition?—A. I did not say lake and rail; I said water routing. Rail is part of it. I can answer that suggestion by showing you a decision, the western rates case. We come in and show most extraordinary disparities. The Board say "Yes, there is discrimination and if it were not for water and American rail competition there would certainly be a readjustment; but in view of this maximum created by natural laws we cannot raise the East, and therefore we will not lower the West, because the railways have to have the money."

Q. But the maximum rates which have affected the East were created by nature and not by law?—A. Quite true, except this, by nature plus the Railway Act.

Q. In what way did the Railway Act reduce the rates in so far as the East was concerned?—A. I did not say that it reduced rates; it kept the rates down.

Q. That is exactly the point I want to come to. You say nature and the Railway Act?—A. Yes, the Railway Act says that discrimination is not enough; it must be unjust and undue discrimination, and it gives the board the right to say what conditions justify discrimination. Therefore, if the Railway Act said that neither the Crowsnest Pass maximum nor American rail competition or water competition justified discrimination, then our rates would be equal East and West. But the Railway Act says just the opposite.

Q. But you do not contend that if the railways had said that the railways could increase their rates in the East because they are met by competition of water?—A. I did not say any such thing. I said the western rates would come down to a parity with the eastern. That is what I said.

Mr. VIEN: I see your point.

The WITNESS: Dealing with another matter which came up under discussion, and that is in connection with the estimates, there were questions asked here about the 1920 increase and what it was based upon. The 1920 increases of 40 per cent

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and 35 per cent were based upon an application of the railway companies in which they pointed to the Chicago wage award, the increased cost of materials resulting in their increased cost of operation. They also pointed to the fact—and this is a fact which did not seem quite clear—that the price of agricultural commodities and the price of manufactured commodities arising from war conditions were such that those traffics could stand the increases. Do not imagine for one moment that that was not a considerable factor in arriving at that position. Why, I remember the figures put in by Mr. Phippen and Mr. Tilley, and the cross-examination by them of some grocery men and other people. They justified it on the ground that the traffic could stand it, that they needed it by reason of those operating costs and that the traffic could stand it because they said that “through all those years those people had been reaping those high prices and the railways had not had a corresponding increase, whereas grain is up over 100 per cent.” That is what they said. They put in charts showing the value of the dollar to the railways and the value of the dollar to the other people. That was a factor in arriving at those increases. Then Mr. Beatty upon that occasion discussed the Chicago wage award, and I want to speak about that for a moment. According to the reports of what is happening in the Railway Labour Board in the States, which the railways here say they must of necessity follow, the report is that the Railway Labour Board have lowered the wages of the men employed in the maintenance of way to the position that it was in before the Chicago wage award of 1920. The report also says that all other classes of workmen’s scales have been heard and that within the next two or three weeks it is anticipated that all railway wages will be reduced to the position they were in before the Chicago wage award of 1920. When the railways came before the Board of Railway Commissioners in 1920 and asked for those tremendous increases, they had not installed the wages granted in May by the Chicago wage award. That is, they made their application before they had put in those wages. True, they said “we are going to have to put them in,” but they did not as a matter of fact. But they made the application of course at the crucial moment before the movement of the crop. Now when it came to the reductions, they reduced their wages in 1921 in the summertime, May 1, I think—no, July 15. The Railway Board then said “in view of your big increase having been granted, it is up to you to reduce and reduce now at the end of August, so that the tremendous grain movement will receive the benefit of cheaper operating conditions.” Did the railway companies consent to that reduction? No, they did not. They fought it along by various and devious methods until the crop was moved, although the wage award had been enforced and in effect for some four months, and the reduction only came in December. It was stated in the argument to the board against it, “our men have not accepted this reduction; they may strike, and if they do not accept it, we cannot afford to lower those rates.” When the matter became pressing, a Board of Conciliation is called; the railways refuse to appoint anybody and the Government appoint a man for them. They meet and hold their sessions and an adjournment is taken to the beginning of the year on the understanding that there will be no further reductions.

By Mr. Vien:

Q. When was that done; when did the Government appoint them?—A. The Government appointed them in September or October of 1921.

By Mr. Archambault:

Q. In fact, were the wages reduced?—A. Yes.

Q. During the movement of the crop?—A. The wages had been reduced four months before the movement of the crop.

Q. In Canada?—A. Yes, in Canada.

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By Hon. Mr. Crerar:

Q. It was two months, not four months?—A. Two months, in July and the crop moved at the end of September. It was two months before. Now I say, that if we can judge of what is going to happen to the wage question, that reduction now should take place in anticipation of what the railways well know is going to happen. What does it mean, this new wage reduction? Mr. Beatty in that case—exhibit No. 1—showed the effect of the Chicago wage award for eight months. He said that for May and June it would mean \$3,556,000; for May to August inclusive it would be \$7,113,000, and for September to December \$7,708,000, or \$14,822,000 for the eight months. Figuring for the other four months roughly speaking—because I do not know just what proportion the other wages bear to the eight months—but accepting them as approximately the same, it means \$22,000,000 to the C. P. R. The reduction contemplated under the Crowsnest Pass agreement meant not more than \$9,000,000 and I defy the railways to show anything different. And the balance of that saving plus other savings—because I will show a financial improvement with respect to other savings—upon that occasion Mr. Beatty showed a cost of \$34,000,000 by reason of the extra cost of material and Mr. Carvell as early as September of last year found that these things had gone down 25 per cent, and I think you gentlemen who follow the prices of this country know that they have gone down some. That saving can be directed to the reduction of rates throughout Canada, including the West and including the East, and the C. P. R. will still be in a prosperous condition if that is essential. We have had this disparity and I propose to give you a very few figures on it, because I have occasion to refer to the findings of the board year after year and I ask you is it fair under these conditions to take away the one protecting thing we have, the Crowsnest Pass agreement, which is a protection only under those abnormal conditions because it never is a protection under normal conditions. The rates are always below it. Is it fair to take that away in these abnormal conditions? But the movements created under normal conditions are gradually coming around and the East is protected by the American rates and other conditions that are coming. I will give you the reference in Mr. Carvell's judgment, and Mr. Vien, this might interest you as to the estimate, Mr. Beatty's estimates, for instance in that case.

By Mr. Archambault:

Q. What is the date of the judgment?—A. September 13, 1921. In that case Mr. Carvell also said, as is admitted by the railway, that materials are costing them at least 25 per cent less than a year ago, and I have a very strong impression the public are entitled to a reduction in freight rates. Now, Mr. Beatty and Mr. Lanigan on page 19 of this judgment estimated that in 1921 their grain earnings would be reduced from \$20,762,000 to \$13,387,000, a drop of \$7,374,000, based just the same as he has this time, on traffic from the previous year. As a matter of fact their earnings were \$19,031,000. He said they would be \$13,000,000, that they would drop from \$20,000,000 to \$13,000,000. These are estimates and they are based on what end of the telescope you put your eye to.

By Mr. Vien:

Q. That remark applied to all the witnesses that come here?—A. Quite so. It applies to my estimates. I have been wrong in many estimates, many of them.

Q. It might be interesting for the Committee to know from what end of the telescope you look at them.—A. I think it is always, but that is a matter of personal opinion and of argument, but I don't think when Mr. Beatty comes back, I don't think the railways will suggest that they can show to the Committee because our rule in rate cases in so far as possible is showing, not say so—he can show you a loss of \$9,000,000 by reason of the Crowsnest Pass Agreement.

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Q. Do you mean both railways?—A. In each railway. Granted the widest interpretation of that Act, contrary to Mr. Beatty's advice and they cannot show you a \$9,000,000 loss.

Q. On what do you base that statement?—A. I base that statement in so far as you can estimate upon this: Mr. Beatty states that the loss in grain would be something over \$7,000,000. I think as far as I can estimate, he is quite right in that estimate. I think that is approximately correct, as near as an estimate can be. It is impossible to tell you in the evidence without looking at the way bills to find what the traffic on the other commodities covered are, but in so far as you can judge, by dealing with the people who handle binder twine, which would be the largest, I think, of all those other commodities concerned, the binder twine loss, as near as I can figure it out, would amount to, lake and rail companies, \$100,000, and that is all railways. Of that, one-third of the proportion would be the boat proportion; two-thirds would be the railway. We don't know exactly what the movement is. Both railways would lose \$66,000 in the most important commodity as we view it, outside of the grain. The Crowsnest Pass is a grain agreement largely. Don't have any misunderstanding about that, and they cannot show you a million and a half dollars extra loss to make up that \$9,000,000. I know they cannot. They say they can. Let us take Mr. Beatty's estimates, taking his own system. He took his freight earnings in 1921 as \$127,187,000; he took his grain earnings as \$28,000,000. That left all other traffic \$99,000,000. Now with respect to the December 1st reduction which will be in effect in July, 1922, irrespective and apart from the Crowsnest Pass Agreement, taking individual rates so far as Mr. Macdonald and myself could compare them, it amounts in almost every case they were compared to about eight per cent. It has been termed the ten per cent reduction. It is not a ten per cent, but it amounts to eight per cent.

By Mr. Boys:

Q. Why do you say they will be in effect in 1922?—A. They are in effect now.

Q. Until the first of July?—A. I don't accept and I don't think anybody would seriously accept the contention or the suggestion of either Mr. Watson or Mr. Hanna.

Q. I am not suggesting anything. I just want to get the facts.—A. Mr. Beatty took it for the year 1922 upon a certain basis and arrived at \$15,000,000.

Q. The only decision you have, carries the existing rates until the first of July?—A. Then there will be no rates at all except what the Board of Railway Commissioners fix. Take eight per cent of that \$99,000,000, it is \$7,900,000, the loss on grain, which we say is approximately correct. That creates a deficit of \$15,052,000, which would be made up by the other commodities covered by the Crowsnest Pass Agreement. That is a check upon the statement which I am making to you, and I think neither Mr. Lanigan nor Mr. Beatty will say to you that the loss on the Crowsnest Pass Agreement is anything like \$15,000,000 and cannot be so urged before this Committee.

By Mr. Vien:

Q. Does it not boil down to this, that unless you take it for granted that Mr. Beatty and Mr. Hanna and the other railway experts who were heard here willingly wanted to deceive the Committee, that they base themselves on that contention. I am sure you have not and you don't want to convey—A. I am rather surprised at the suggestion, if you want to get my opinion.

Q. I take it for granted that you discard altogether the idea that Mr. Beatty or Mr. Hanna wanted to deceive the Committee?—A. What is the object of the question if you take it that I disregard it.

Q. I will finish it and you will see the object. Their estimates were based on railway expert advice and on the experience of their trade for 1921, whereas your own figures and your own evidence is based on hearsay evidence from people who

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handled binder twine and other commodities in your surroundings.—A. My figures, Mr. Vien, are based on the returns of the railway companies to the Board of Railway Commissioners and to the Department of Railways in this country. My opinion is based upon what I believe to be right upon certain theories. Mr. Beatty's opinion is just as sincere, given just as frankly, but is just as likely to be wrong as mine.

Q. But we take it for granted, that his opinion is based in respect of his estimates, on the figures of the trade for 1921 and he clearly stated it and his exhibits proved it. Now I would like to ask you.—A. Before you start on a wrong basis let me point out to you that you have apparently not caught what I have been trying to impress on the Committee. Mr. Beatty did not say that the Crowsnest pass agreement would cause a loss of \$15,000,000. Mr. Lanigan is here, ask him.

Q. I don't contend that.—A. Why create the impression that he did when he did not?

Q. I don't contend that, but I contend he gave to the Committee an estimate of what according to figures in his hands the loss would be to his railway for the next year.—A. Yes, but not the loss caused by the Crowsnest pass agreement.

By Mr. Boys:

Q. I certainly so understood it. If there is any doubt about it, take Mr. Hanna's figures. With respect to Mr. Hanna's figures, I understand he says about \$10,000,000. He gives it right down to a dollar.—A. It is an estimate.

Q. What you are combatting with Mr. Vien is that Mr. Beatty did not say the \$15,000,000 was due to the Crowsnest Pass. What I am saying, Mr. Hanna says most emphatically \$10,000,000.—A. He may be wrong.

Q. What makes you say that Mr. Hanna does and Mr. Beatty does not?—A. Read it. I don't ask you to take my word for it. When Mr. Beatty comes back, ask him.

By Mr. Vien:

Q. Will you contend that the loss of \$15,086,000 that Mr. Beatty has given to the Committee is not what he estimates the direct loss to his system by the re-instatement of the Crowsnest pass agreement?—A. I would say that Mr. Beatty's estimate of a loss of \$15,000,000 is based on the statement of what he believes will be his loss next year, or what he says will be his loss next year, having regard to December 1st, 1921, plus the reduction in the Crowsnest pass agreement, as if it had come on January 1st, 1922, instead of July 1, 1922.

Q. If I understand you well, you contend, and I want to be clear on that point, your contention is that the loss of \$15,000,000 given out by Mr. Beatty will not be the result exclusively of the re-instatement of the Crowsnest pass agreement?—A. You have my first point, exactly.

By the Chairman:

Q. How much of that \$15,000,000 loss would you say might be attributable then to —A. I said that I could not arrive at figures greater than \$9,000,000 and I said and I agree with Mr. Beatty when he said you cannot estimate this accurately. So far as the grain estimate is concerned we are together because grain is kept track of and on that, the railway people and we know what moves and so on.

By Mr. Boys:

Q. I did not ask you the question because I thought probably you would rather be permitted to complete your statement.—A. I have not started my statement. This is question time.

Q. If you prefer, that as questions do occur to us, we should ask you, we might do so, but if you prefer to complete your statement and then we can ask questions I think it would be satisfactory to the Committee.—A. I would prefer at this stage being asked questions. As I say, the Chairman asked me to prepare a memorandum

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in writing, which I have done, but I would like to answer all the questions which any member of the Committee might ask.

By Mr. Vien:

Q. The questions might be more intelligible if the statement was read.—A. You will have plenty of opportunity of asking me questions after it is read.

By the Chairman:

Q. Is it possible some of the questions might anticipate what you are going to say?—A. They might.

By Mr. Boys:

Q. My idea is to complete your statement and then we can ask questions, but if your prefer the other course, I don't want you to think we are interrupting you.—A. It is a matter quite immaterial to me.

Q. That is the advantage of having a lawyer as a witness.—A. A lawyer is a poor witness, they tell me. I have never been here before. The point I am getting at is that with respect to Mr. Beatty's estimate, if the Committee understood it as being an estimate of the Crowsnest pass agreement, it is wrong to the extent of \$6,000,000.

By Mr. Vien:

In so far as I am concerned, I did so understand it.

By hon. Mr. Manion:

Q. I have the words here in regard to grain—"Assuming our grain traffic to be the same this year as in 1921, and that the Crowsnest rates were affective throughout the year, the reduction in our revenue would therefore be \$7,159,537."—A. I agree on the grain. Mr. Lanigan is here. I don't mind asking Mr. Lanigan. He cannot make it a million and a half more.

By Mr. Boys:

Q. If you take six million from fifteen million you then have nine million?—Yes.

Q. At that rate, the C.P.R. loss would be only nine million with the C.N.R. over ten million?—A. I say that Mr. Hanna and Mr. Beatty stated that it was impossible to estimate it, but I cannot bring myself to believe, knowing something about the relative traffic that the Canadian National lines would be more than the C.P.R. That is exactly my opinion.

By Mr. Macdonald:

Q. That is a matter which Mr. Beatty can clear up very quickly?—A. Yes, and I am quite sure Mr. Beatty will clear it up.

By Mr. McConica:

Q. Mr. Beatty testified that he included a large number of commodities not covered by the Crowsnest pass agreement, and that he extended it all over the country?—A. Yes; he took—Mr. Boys, would you mind listening to this.

By Mr. Boys:

Q. I may say I have listened to everything you have said so far?—A. What I understand Mr. Hanna said was that because Order No. 308 ceases to be effective on July 1, 1922, the rates were therefore going back on all commodities all over Canada to where they were in 1918.

Q. Would you mind referring to a statement which appears in Report No. 3. This is very important, because if you are right there, it makes a tremendous difference in the effect of his evidence. Please look at Report No. 3 and read the opening sentence and also the figures, and then tell the Committee how you can possibly reach that conclusion?—A. No, upon that statement you could not.

[Mr. Symington.]

Q. That is what I am saying?—A. May I correct the “1918” and say that Mr. Hanna takes the view that you go back to the rate on all commodities prior to September, 1920, which was the date of the 40 per cent increase and the 35 per cent increase.

Q. There is nothing between us now?—A. On what assumption, may I ask, does Mr. Hanna assume that rates are going to be as they were before September, 1920? I sincerely hope he is right.

Q. All he is demonstrating is the effect of the Crowsnest pass agreement; that is not the effect of the Crowsnest pass agreement; that is the effect of the Crowsnest pass agreement plus the elimination of what is left of the 40 per cent and the 35 per cent increases.

Hon. Mr. MANION: Mr. Chairman, I suggest that it would be better for Mr. Symington to make his general statement now, and let the questions come afterwards.

Mr. MACDONALD: Let Mr. Symington state his case, and then if there are any questions to be asked they will be asked.

WITNESS: I want to state my case in my own way.

Q. Had you not better accept the suggestion that we ask you absolutely no questions until you have concluded your statement?—A. Very well; but I want to point out that the questions I have heard asked here during the last two or three days lead me to the conclusion that there is a great misunderstanding on the part of the members of this Committee as to the exact situation. The belief that the result of the reinstatement of the Crowsnest pass agreement will be a loss of \$15,000,000 to the Canadian Pacific Railway or \$10,000,000 to the Canadian National is based upon a misunderstanding, because neither of them can demonstrate that loss to this Committee. If you assume that when the Board of Railway Commissioners make their order following July—if the Crowsnest pass agreement is reinstated—all rates will be reduced to the point at which they were prior to the 40 per cent and 35 per cent increases, then I think Mr. Hanna’s statement is remarkably conservative, and I further think that if that reduction takes place, it will demonstrate beyond doubt that his loss will not be half of what has been estimated.

By the Acting Chairman:

Q. I think your position is now pretty clear in regard to that, Mr. Symington?—A. Coming to the railway wage question, if those wage reductions are coming in, and that is the impression—Mr. Beatty made his suggestions in anticipation of wage reductions—and removing all economic factors, for I propose to argue this without taking into consideration the economic factor of increased traffic, etc., then the \$9,000,000, which I tender to this Committee as the maximum, leaves still a large sum of money to take care of rail reductions throughout Canada.

Coming to my prepared statement: (Reads)

“I desire to submit to you certain facts about railway rates and the relationship of the Crowsnest pass agreement thereto.” That is what I understood this Committee was appointed for, and I purpose in this statement to discuss whether under any conditions the Crowsnest pass agreement should be suspended, whether under present conditions it should be suspended, whether it would be in the interests of Canada as a whole to suspend it, and whether it would be in the interests of Western Canada to suspend it. (Reads) “In order to understand the situation I want to treat the subject historically for a moment.”

“There existed in Canada a Railway Act prior to the creation of the Railway Commission. That Act, the Railway Act of 1888, committed to the Railway Committee of the Privy Council, the same jurisdiction over rates as

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is now committed to the Railway Commission, and that Act contained substantially the same provisions as to the prevention of discrimination against either persons or localities as the present Act does. That Act also contained the same clause as is now in the Railway Act which preserved jealously the right in Parliament to define maximum rates. Parliament said to the Railway Committee of the Privy Council"—which you probably know consisted of members of the Cabinet and the Deputy Minister of Railways—"you cannot interfere with rates fixed by special statutory agreement." While that Act was in effect the Crowsnest Pass Act was passed by Parliament fixing certain maximum rates in certain commodities to and from certain localities and it said to the Railway Committee of the Privy Council or any commission thereafter formed, "there is a basis within that maximum: fix rates and prevent discrimination between persons and localities."

"In 1902 a new railway Act was introduced, withdrawn and subsequently passed in 1903. It substituted the Railway Commission for the Railway Committee of the Privy Council, and it read into the Act the rates provided by the Crowsnest pass agreement and any other Canadian statutory agreement, past, present or future, and said to the Commission: 'There are certain maxima; fix rates within them and prevent discrimination.' Many greater and wider powers were given to that Commission, but with respect to railway rates it was simply a substitution of one body for another, limited and restricted in the same way. Parliament as a policy fixed a maximum and delegated to its agent, the Commission, the fixing of just and reasonable rates within that maximum.

"Now, let us go back for a moment to 1897 and the Crowsnest pass agreement. What was it and what were the circumstances?" And you heard Mr. Oliver state how they got those lands and coal lands, and a virtual monopoly of the territory. "The Canadian Pacific Railway Company in consideration of a subsidy and virtual monopoly of the territory agreed to the establishment of certain rates, not only to and from the immediate territories but on grain and grain products eastward from all territory and on certain commodities from the east to all territory west. It also agreed, that the rates on those commodities could never at any time be higher. While a monopoly was not given expressly the Debates show that that was one feature most important to the Canadian Pacific Railway, because if the Canadian Pacific Railway went in on subsidy conditions, no other railway could go in." Subsequent discussions show that the rate concessions were the justification for the subsidy which was greater than that offered by the previous administration, and the rate concessions as pointed out were concessions affecting not only the particular territory where the line was being constructed but were concessions affecting shippers in the east and shippers in the west. It was in every sense a national agreement with national benefits." And in connection with that agreement, it might be of interest to the Committee to know that because the rate concessions were not considered enough, certain members of the party then in power, including one who subsequently became a Minister of the Crown, voted against their party. "The contract was entered into, the Canadian Pacific Railway Company received their subsidy, and received a virtual monopoly. Consideration on the part of Canada was paid in full. On the other hand the Canadian Pacific Railway Company established the rates agreed upon, but the balance of their consideration was the running covenant that these rates would never be any higher.

"That was the situation when the Railway Act was passed, and Parliament recognizing that situation, and providing by that Act for a certain control of rates being placed with the Board, specifically reserved by section 3 of the Act the rate advantages and limitations which they had paid for and which

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were secured by the special Act. Parliament had as a matter of public policy in the great question of transportation, interprovincial trade and settlement of the western country, provided an unalterable maximum in certain commodities—it was a basic and structural part of railway policy and of the Railway Act.

“Then we come shortly to the various rate cases. The first case of importance was known as the International Rates case, decided by the Canadian Board of Railway Commissioners. The International Rates case and extensions of it laid down in effect that the maximum rates in the eastern territory were controlled by American rail competition and water competition, and that maximum was established much lower than western rates. It was an economic maximum and therefore final.”

What happened was this: they said, You must have a rate from Sarnia, from Windsor or from Toronto to Montreal and so on, to meet what was the potential water competition flowing side by side with the rails, and the American rails which were on the opposite side of that water. Then they said, If you establish the rate upon that basis from Windsor to Montreal, the rate from St. Thomas to Montreal, from London to Montreal, or from Kitchener to Montreal must come down also, because all industry would then go to Windsor or to those ports. That territory was extended up and is now limited by Sudbury—Is that right, Mr. Lanigan?—Eastward, and a rather anomalous position is created; the rate from Sudbury to Montreal, which has no water competition, so far as the eye can see, and no American rail competition so far as the eye can see, gets the advantage of those rates, resulting in rates from Calgary to Winnipeg or any other two points which have just the same amount of water competition and American rail competition, as North Bay or Sudbury to Montreal, having to be upset, because those rates had to be kept low. That is the real anomaly, and therefore the International Rates Case established what is known as Schedule A, whereby eastern rates were reduced, and those schedules put in, based upon, not actual water competition, but what is termed potential water competition, and American rail competition, and therefore the eastern shipper has for all time and under all conditions, normal or abnormal, a protecting maximum.

“The next case was the Western Rates Case. In 1911 the Western Rates Case started, and judgment was delivered in 1914. It was an application for a reduction of certain western rates. The Western claim was that the rates in the west were higher than in the east. I do not propose to submit to you any of the evidence in that case, but it may be summarized in a short way in the attached statement showing the results for the five year period, 1907 to 1911.”

In that 5 year period, the operating expenses of the Canadian Pacific Railway were as follows: Eastern lines \$160,000,000, western lines \$231,000,000. The west was 44 per cent higher than the east. The operating ratio in the east was 72c, in the west 60c, and in the prairie west 56c. This means, that in the case of the east, it costs 72c to earn a dollar, and in the case of the west, it costs 60c to earn a dollar. The net earnings in the east were \$43,500,000, and in the west \$91,500,000; that is, the net earnings after deducting operating expenses were \$48,000,000 more in the west, or 110 per cent greater. There were reams of figures dealing with traffic, the average haul, the average loaded car, the average number of cars per train, the average haulage, locomotive capacity and so on, all of which were in favour of the west, producing these results. The west applied for a reduction of western rates, on the ground that they were being discriminated against.

By Hon. Mr. Crerar:

Q. Upon what are these figures based?—A. These figures are based upon the returns of the Canadian Pacific Railway which were filed with the Board at the [Mr. Symington.]

request of ourselves acting for certain western provinces. Following that it was found that there was discrimination in favour of the east as against the west, but they found that it was not undue or unjust, because eastern rates were held down by American rail and water competition, which excused a discriminatory rate. None the less conditions as demonstrated were such that they were able to give some relief, more particularly to the provinces of Alberta and Saskatchewan. There was a reduction in the Western Rates Case. The point I want to stress is that they found a discrimination, also that they could not remove it, because the eastern rates were held down by this controlling maximum.

"Following this came the Eastern Rates Case, in 1916, where the railways applied to raise the Eastern rates. It was urged at that hearing that water competition was less effective owing to lake tonnage being taken for war purposes, and also owing to the centralization of tonnage in the Canada Steamships Company. The Board granted, under these conditions, an increase of, roughly speaking, 5 per cent in eastern rates. The decision of the Board was that when these abnormal controlling factors (American rail and water competition) were not so important, rates should move up to that extent in the east."

"The figures for those 5 years, 1912 to 1916, preceding that case, were as follows:

Operating Revenues:

East	\$226,500,000
West	356,500,000

The west being 57½ per cent higher than the east.

Operating Ratio:

East	73.3
West	57
Prairie West	54.5

The west net earnings were \$92,500,000 greater than the east, or 154 per cent greater west than in the east.

Net earnings:

East	\$60,000,000
West	152,500,000

By Hon. Mr. Crerar:

Q. Are these C. P. R. figures, Mr. Symington?—A. Yes, these are C. P. R. figures. While I am at this, I had better straighten that out. It was laid down under the Railway Act, upon an appeal to the Governor in Council, and the law stands to-day definitely upon this point; in 1917 it was decided that the only railway to be considered in making railway rates was the Canadian Pacific Railway Company, not the Canadian National Railways. I can explain that, I think. I argued for that point, and succeeded, and it is perfectly obvious and clear, to my mind. I can give it to you shortly. If you have a railway with an operating ratio of say 75 and another of 80, it would probably be proper and fair to take as a basis of rates the middle of those two; but where you have a railway with an operating ratio of 75 and another of 115, you cannot approximate them; they do not, as the language goes, live in the same street at all. If you should give rates based upon the road which has an operating ratio of 115, the other road in the course of a few years would own the whole country. That was the position, and therefore they laid down their judgment, and it is accepted by the Board and was accepted in this case, that the only railway to be considered as a rate making proposition was the road known as the Canadian Pacific railway. That is the reason why all these figures are C.P.R. figures; they are figures furnished by themselves at our request on these various rate cases before the Railway Commission.

[Mr. Symington.]

"Then came the 1917 rate case, known as the 15 per cent increase case. In that case the Railway Commission said: 'Increases granted in the Eastern Rates Case were as great as they would have been had the tariff basis in the American territory of the system been higher' The commission holds that in spite of the Western Rates Case and the Eastern Rates Case, speaking generally, rates in the West are still higher. The East's maximum had already come into play in the Western and Eastern Rates Cases, and now for the first time after many long years the West's maximum created by the Crowsnest Pass Act came into play, and the effect of the 15 per cent increase was modified to some slight extent by the limitations of the Crowsnest Pass Act. Grain rates from Qu'Appelle, Saskatchewan territory west were held down to a slight extent by the Crowsnest Past Act rates. The grain rates from Manitoba territory were not held down."

For the first time that maximum operated in favour of the people, and to some extent against the people who had contracted on the other side. It lasted but a very short period. In the fall of 1918, before the crop moved, the 25 per cent War Measures Act came in, and the benefit to the West of the Crowsnest Pass Act was wiped off the statute book by this war measure. That rate case was known as the 25 per cent increase. It was made under war conditions as a war measure and under the War Measure Act, and eliminated all maximum.

"The next rate case was in September, 1920, which was known as the 40 per cent increase case. In that case it was again specifically held in spite of all that had taken place, that western rates were higher than eastern rates. That was the finding of the present board. There was a reduction of 5 per cent in the September increase, effective January 1, 1921. Mr. Macdonald has just handed me a note. So that I may not deceive you, I may say that the West had the benefit of the Crowsnest rates from 1898 to 1902.

By an hon. Member:

Q. I understand you to say that it did not do them any good after 1918?—A. The West had the benefit of the Crowsnest rates from 1898. I propose to state this: that in my judgment, while this is only a prediction in an abnormal time, that in abnormal times the Crowsnest pass agreement is no protection, because the rates in the West must of necessity be lower than those fixed by that agreement. As I said before, there was a 5 per cent reduction effective January 1, 1921. I want now to give you the figures from 1916 to 1920, before the period when that increase took place, so that you can trace the effects of these various rate cases.

"Operating revenues:

East	\$370,000,000
West	442,000,000

"That is the West were \$72,000,000 more than the East, or 20 per cent." This comprises the prosperous manufacturing war munition period in the East. The operating ratio was East 80.95 and West 67.30. We have not yet got beyond the charmed circle of 70.

By the Acting Chairman:

Q. Have you any ratio for British Columbia?—A. The ratio for British Columbia we cannot give subsequent to 1916. Following the western rates case we thought the divisional statistics were very useful to us. The railways stopped keeping them. They say it was because they were not of any use, but the fact is that after 1916 it was impossible to separate the rate divisions. There is a higher ratio in British Columbia, there is no question about that. The net earnings were, East \$70,500,000 and West \$144,500,000. That is, the West's net earnings were \$74,000,000 more than the East or 105 per cent higher. You will notice that the gross was only 20 per cent

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higher, while the net was 105 per cent higher. Following the western rates case, my evidence before this Committee is that as the result of higher rates and more profitable operation, for if you want an argument, all the improvements in railway operation go to the improvement in hauling bulk commodities, larger cars, elimination of grades, engine capacity and so on. Take a grain train—they run the cars into an elevator, and they are loaded from a spout in a few minutes by the elevator company. They pry it along the track, then another is loaded and they collect them into a train and haul them to Fort William. There they are shoved into an elevator and unloaded rapidly by machinery at the expense of the farmer by the elevator companies. They are drawn by the elevator companies up to the track, they are hooked on and away they go. These cars have increased from 40,000 pound cars to 60,000 pound cars, and from 80,000 pound cars to 100,000 pound cars, with the result that the average out-turn from Fort William for 1920 was 82,000 pounds. I do not know whether you noticed the statement in the newspapers about the great performance of the Canadian National Railway in hauling 90 cars consisting of 500,000 pounds of grain to Fort William. On the other hand, that extra equipment, except for some classes of traffic in the East is no saving. They take a car and shove it into a warehouse, and something is loaded here for Galt or there for Guelph, or else they collect them and make up a great load. I have not figures as to the average haul. Where you get a train moving, it does not cost very much. It is the collection and the stopping and the shunting to the terminal. It is the average load per car, the average haul, the average number of cars per train that make proper rail-roading operation. These are all combined in the West. Nature has given us that bulk production in the broad prairies which makes for lower rates but we cannot get them because nature has given in the East water competition. That is the case in a nut-shell. Now I want to give you the 1921 figures, and then I shall be through with respect to figures. The operating revenues east were \$85,500,000 and west \$101,900,000. That is, the West's were \$16,500,000 more than the East, or 19 per cent. This is for the year 1921. The operating ratio was, east 77.21 and west 70.54. The net earnings were, east \$11,000,000 and west \$30,000,000. The net earnings in the West were \$19,000,000 more than the East or 157 per cent greater for the year 1921. In the face of these figures it is suggested—at least I take the suggestion from the witnesses for the railway companies—that the bringing in of the Crowsnest pass agreement is going to create a disparity against the other sections of the country. I desire to go on record before this Committee as saying that it will only partially remove the extraordinary disparities under which we have been trying to labour and settle that country.

By Mr. Vien:

Q. Do you compare the rates at the time the Crowsnest pass agreement came into force and the rates at the present time; I mean the increase in the eastern rates and the increase in the western rates?—A. Yes, I have compared everything about rates that there is to compare.

Q. Could you tell the Committee what is the percentage in the increase in the eastern rates and the percentage in the increase in the western rates since the Crowsnest pass agreement came into effect?—A. I could let you have it after lunch I cannot give it from memory. But granted it is 100 per cent or even 200 per cent greater than it was in the West, the net earnings of the C.P.R. west, in spite of all those increases, was 127 per cent greater west than they were east.

By Mr. Archambault:

Q. Where do you get these figures?—A. From the C.P.R., filed with the Board of Railway Commissioners in the rate case which we have just been arguing and filed at the request of the Governments I represent.

[Mr. Symington.]

Q. Filed this year?—A. Yes. I am going to give it to you by months to show what grain means to the C.P.R. I am going to show you that under those difficulties, in one grain-moving month they did \$6,000,000 worth of business. On December 1st, 1921, there was a reduction throughout Canada of 10 per cent of the increase granted in September, 1920. Do not get into your heads that that is a 10 per cent reduction. It was 10 per cent of the increase granted in September, 1920. There is a further case standing for judgment now before the Board. It has been argued at great length most carefully; I think the material was prepared more thoroughly than any rate case that has ever been argued before that Commission. That case, so far as I see it, will be decided so far as the east is concerned held down by the controlling maxima American rail competition, the American railway rates having just been reduced, and water competition. So far as the west is concerned, it will be decided held down by the controlling maxima on grain under the Crowsnest Pass Act if it is not interfered with, but held down by no controlling maxima if it is interfered with. Now, these maxima on grain in the west are no pre-war rates. Do not get that into your heads. They are not normal rates. They are rates which are increased over the rates on grain in existence in 1917 as follows:

Winnipeg Territory.. . . . .	.40	per cent over 1917
Brandon Territory.. . . . .	.23	“ “
Virden Territory.. . . . .	.17	“ “
Qu'Appelle Territory.. . . . .	.12	“ “
Moosejaw Territory.. . . . .	.11	“ “
Swift Current Territory..	9	“ “
Medicine Hat Territory..	8	“ “
Calgary Territory..	7	“ “

We are coming here putting up a demand for a return to normal rates. We are not coming here, in my submission or in my evidence, asking for anything unreasonable. I did not like the suggestion which was made that we were asking to be helped out. That is not why we are here. I am not asking to be helped out. I am asking for what I conceive to be the rights of those provinces, the rights of those provinces laid down as public policy for the benefit and protection not only of the west but for the advancement of the whole country as I hope to show you before I am through. Now, that is a summary and a short summary—

By Mr. Vien:

Q. Did I understand you to say that you are not asking to come back to pre-war rates?—A. Not before this Committee. All I am asking this Committee is to leave the law as it was established when the Railway Act was established and I am prepared to take care of myself before the Board of Railway Commissioners.

Q. But in effect does it not have the effect of bringing the rates back to 25 years ago, in 1898?—A. No, it does not do any such thing.

Q. In so far as the commodities enumerated under the agreement are concerned?—A. It brings them back in the important and essential commodities to those figures which I have given you, of forty per cent over what they were in 1917, and down to the tapering rate of seven per cent in Calgary. It brings us to these percentages from 1902 to 1917. That is what it brings us back to. That is a short summary of the rate situation as it stands to-day. Now I notice that the evidence of Mr. Beatty and Mr. Hanna is based upon two exactly opposite views. Mr. Beatty says he has been advised that the Crowsnest pass rates will only apply to rates in existence in 1897 and that therefore the agreement is not of much account. If it is we will take our chances. Leave it to us. That is all we ask you. If that is Mr. Beatty's advice, why bring in all those figures based upon the other interpretation of that agreement. All we want is to leave it as it is, that is all. If Mr. Beatty is right and his advisers are right, why worry about it? Why all this trouble? If

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he is right we will take it as it is. We are not asking for any change. If we wanted any change, I could change it with much greater benefit to us, but don't misunderstand me. I am not asking for any favours and if that is the view, and Mr. Beatty says under oath that it is his advice, let us have it, all right. It does not amount to anything. Then we need not worry about it, but Mr. Beatty states his ideas on the other view.

By Mr. Boys:

Q. If you think they have not any confidence in that view, and I am a very humble lawyer, it would seem to me it would be an extraordinary thing that that idea of Mr. Beatty's should prevail.—A. I might be wrong, that I have not any right to come here and give my opinion as a lawyer. All that I propose to give you is what the law as laid down by the court who has found upon it is and I take it this Committee must accept the law as it is until it is upset by somebody else, rather than I should advise one company and some other lawyer should advise Mr. Beatty. Mr. Hanna says that although his railway was not in existence at the time that it will apply to his whole railway not only upon the commodities covered, but it will destroy the whole rate structure and shows in this way the losses of the Canadian National to which he has referred. So far as Mr. Beatty's position is concerned, the Prairie provinces, by Mr. Hayes' views are concerned, they have had exactly contrary conditions, but what I propose to rely upon is the decision of three Boards of Railway Commissioners upon the very subject. The first case was the Pacific Coast case. This was an application by the Pacific Coast cities for lower rates asked upon a large number of commodities. The Canadian Pacific Railway objected to the rates being lowered, claiming that the Crowsnest pass rates were statutory rates and therefore they could not be used in considering discrimination. They said "that is a statutory rate. We are forced to put in that rate and you cannot use it in discrimination." The Chief Commissioner, Mr. Justice Killan, to whom, if I might pay a tribute, was one of the ablest lawyers Canada ever saw—on page 145 he says: "there are two minor points which require consideration. One arises under special commodities rates for westbound traffic from Winnipeg upon the classes of articles named in the statute 60-61 Vict., Ch. 5, Sect. 1, entitled 'An Act to authorize a subsidy for a railway through the Crowsnest pass.' That Act authorized the granting to the Canadian Pacific Railway of a subsidy towards the construction of a railway from Lethbridge through the Crowsnest Pass to Nelson upon certain conditions, one of which was that an agreement should be made with the Government and the company by which among other things a reduction was to be made in the general rates and tolls of the company upon the classes of merchandise therein mentioned westbound from and including Fort William and all points east of Fort William on the company's railway to all points west of Fort William on the company's main line or on any line of railway throughout Canada owned or leased by or operated on account of the company." That was not intended to apply to any rates east from Vancouver.

"As a result of this Act and the agreement made under it the company made tariff of reduced rates for the classes of merchandise referred to not only from Fort William and points east thereof westward, but also from Winnipeg westward without similarly reducing rates on the same classes of merchandise from Pacific points eastward. These reductions cannot be considered as having been forced upon the company, but were the result of an agreement which it chose to enter into for the purpose of obtaining a subsidy in aid of the construction of a line of railways. The agreement and the statute do not even deal with rates from Winnipeg at all. When the statute was passed and when the agreement was made, the law prohibited unjust discrimination between localities and while Parliament did not stipulate for similar reductions over western portions of the company's railway, it should not, in my opinion, be considered as having authorized what would if done otherwise have

[Mr. Symington.]

produced unjust discrimination. I think we are justified in inferring that in respect of the classes of merchandise to which these tariffs relate, the reductions that result in such discrimination and that the rates from Vancouver eastward upon similar traffic carried under similar circumstances should be proportionately reduced." That is the law as it stands to-day. It may be wrong. Mr. Beatty's advisers may say it is wrong, but there it is and it has not been upset by any court, but it has been confirmed and so in that case the only reductions—

By Mr. Macdonald:

Q. You are going to deal with confirmation?—A. I am going to deal with confirmation. The only reductions were reductions upon commodities covered by the Crownest pass agreement and I would call the attention of the Committee and of the British Columbia members to that. The grain rates to Vancouver must come down proportionately with grain rates to Fort William, to the east, if that is good law. The next case was the Regina rates case, when exactly the same principle was adopted and at that time the Chairman of the Board was Mr. Justice Maybee.

By Hon. Mr. Manion:

Q. Give the dates of those cases.—A. It is reported in 7 Canadian railway cases. I will get the date. I have not got it in my memorandum.

By Hon. Mr. Stewart (Lanark):

Q. That is near enough.—A. The Regina rates case was reported in 11 railway cases and was confirmed in the Supreme Court of Canada.

By Mr. Vien:

Q. Have you the reference of the confirmation by the Supreme Court?—A. No, I have not. This case was not dealt with by the Supreme Court. The railways did not appeal on this point. They appealed on another point and judgment was confirmed, but this was not argued before the Supreme Court. The matter came up with respect to another agreement, what is known as the Manitoba Agreement, which was effective with respect to rates at that time.

By Mr. Macdonald:

Q. As regards the C.N.R.?—A. As regards all railways. The agreement was with the C.N.R. The grain rates were reduced first two cents and then four cents by an Order in Council by the Lieutenant-Governor in Manitoba affective of course only upon Canadian Northern lines, then the C.P.R. say that they were up against a pretty serious competition and also certain sections of the community say that they were up against higher rates with the result if you can believe the Order in Council which recites these facts and says that after consultation with the C.P.R. and the Canadian Northern that the C.P.R. had agreed to reduce in consideration of that, instead of making the reduction of four cents which they had under the Order in Council, they made a reduction of two cents and the C.P.R. agreed to abide by these rates.

Q. What year was that?—A. It was 1903 or 1902.

By Mr. Vien:

Q. May I be permitted to suggest that Mr. Symington might give the reporter all the legal references that he has mentioned on this point because I don't believe that there is any difference of opinion in the Committee on the point that Mr. Symington is presently stressing, which is that we have a question of law as it exists and we cannot consider the matter before the Committee under the assumption that the law would not bind the C.P.R. to maintain those Crownest Pass agreement rates under extension.—A. Quite so.

Q. It will shorten, I think, the proceedings.

[Mr. Symington.]

The CHAIRMAN: Is that the wish of the Committee?

Mr. SHAW: I think Mr. Symington should be allowed to go into the matter in his own way.

WITNESS: I don't understand Mr. Vien's suggestion to mean I was to change my argument. All he wants to be sure of is that it can be checked up by reference to the railway companies.

Mr. VIEN: I think the Committee should be satisfied on this point. You are arguing a point of law to show that the Canadian Pacific Railway cannot maintain its contention that it is not legally bound to maintain the rates under the Crowsnest Pass agreement to the extensions of their lines which have been built since 1898.—A. My references will be shorter than the discussion.

Mr. SHAW: I understood Mr. Vien to say it would shorten the matter. I don't think Mr. Symington should shorten his discussion of these particular judgments.

The WITNESS: This was dated October 6th, 1903. The Order in Council recited "That in consideration of the Canadian Pacific Railway giving effect on the 7th day of October, 1903, that the agreement entered into, as herein before stated; that is to say; a reduction of ten cents per hundred pounds on wheat and flour from points east on mainland to Fort William and a reduction of three cents per hundred pounds on their last year's tariff from points west of Winnipeg in Manitoba and a reduction of two cents per hundred pounds on their present tariff on other coarse grains, Order in Council No. 8593 passed on the 13th day of July, 1903, be and the same is hereby rescinded." That is to repeat, the first order took two cents off: the next order took two cents more off and after consultation they entered into an agreement, rescinded the last two cents and made it three instead of four in consideration of the Canadian Pacific Railway coming in and agreeing to those rates.

Q. Was there any consideration to the Canadian Pacific Railway for that?—A. The consideration was, I understand, that the competitor would not haul at four cents instead of three. This, I think, I recited in the Order in Council.

By Mr. Boys:

Q. The Manitoba agreement was permanently affected in that way?—A. A reduction of three cents per hundred pounds was made then and that was the rate which continued until the fifteen per cent increase case.

By Mr. Mitchell:

Q. That was shown as the Manitoba agreement?—A. Yes, that is the Manitoba agreement.

By Mr. Vien:

Q. That means that the Manitoba agreement was suspended as well as the Crowsnest Pass agreement?—A. I hope you are right, but I am afraid if we take the law as it is, the Manitoba agreement never had any effect at all.

By Mr. Boys:

Q. In reply to Mr. Mitchell you said that what you referred to was the Manitoba agreement. I understand that that agreement was made between the Provinces and the Railway Company. This was a variation of the agreement?—A. No; the agreement was made between the Canadian Northern and the Government. The Lieutenant-Governor-in-Council had the right to fix rates, and he fixed those grain rates by Order in Council with respect to the Canadian Northern at so much, first 2 cents, and then 4 cents, and also had the right to re-fix them at any time. He did re-fix them to the extent of giving the Canadian Northern a cent more when the C.P.R. came in and agreed to be bound by that rate.

Q. Was there any limitation of time?—A. No.

[Mr. Symington.]

By Mr. Mitchell:

Q. They had the right to fix rates by virtue of what?—A. By virtue of what is known as the Manitoba agreement.

Q. What is the date of that agreement?—A. 1901. But under the holdings of the Board—do not let there be any misunderstanding about this—although certain rates which had been fixed by the Lieutenant-Governor-in-Council were effective and in operation, the Board of Railway Commissioners said they were not in effect by reason of the order of the Lieutenant-Governor-in-Council but because they, the Board of Railway Commissioners, said they were just and reasonable rates. They said they were not governed or guided or legally bound. They claimed to be excused from any consideration of the Manitoba agreement. That is the law as it stands today, and I am not here advocating that it is right or that it is wrong. That is the law which, I submit to this Committee have to deal with. I am not arguing the law, but I am stating that that is the law, and that the Manitoba agreement has absolutely no relevancy with respect to this discussion before the Committee.

By Mr. Macdonald:

Q. The Board of Railway Commissioners are not fettered in any way?—A. So they have held, and it has not yet been upset, I could make many remarks about that agreement, but I am not here to ask you to upset the law as it stands, and I do not propose to do so.

Then coming to the Regina Rates Case, reported in XI Canadian Railway Cases, page 380—

By the Acting Chairman:

Q. Is that lengthy?—A. Yes.

The ACTING CHAIRMAN: Gentlemen, it is now one o'clock. Is it the desire of the Committee to meet again this afternoon or this evening?

M. HUDSON: I would like to know if Mr. Macdonald got these letters to which he has referred?

Mr. MACDONALD: Yes.

Hon. Mr. STEWART: I move that the Committee adjourn until 8.30 this evening.

Mr. BOYS: I second that motion.

Agreed to.

The Committee adjourned at 1.00 o'clock p.m. until 8.30 o'clock p.m.

The Committee resumed at 8.30 p.m.

The CHAIRMAN: Gentleman, if you will come to order, Mr. Symington will resume his statement.

H. J. SYMINGTON recalled.

Mr. Chairman and gentlemen of the Committee, at adjournment this morning I had presented to you the position of the law respecting the Crowsnest pass agreement, and I said that that was the law as settled by decisions, not as settled by any advice given by either Mr. Beatty's advisers or by my clients. I had referred you in the first place to the Pacific Coast Case, and I had also referred you to the Regina Rates Case, which was being discussed at adjournment. The Regina Rates Case is reported in volume 11, Canadian Railway Cases, page 380, and as I pointed out it was confirmed, although not on this particular point, in the Supreme Court. The Regina Rates Case, while dealing with another agreement, namely, the Manitoba agreement, followed the principle laid down in the Pacific Coast Case, which dealt with the Crowsnest agreement; in other words the Commission presided over by Mr. Justice Mabee, followed the decision of the Commission presided over by Mr. Justice

[Mr. Symington:]

Killan. There is quoted in that judgment exactly what I quoted to you from the Pacific Coast Case, and he goes on—I am not going to quote very much—“It could not surely have been the intention of Parliament in passing section 315 of the Railway Act to permit railway companies to create different circumstances and conditions by entering into contract with someone and so defeat the intention of the Act. The circumstances and conditions . . . must be traffic circumstances or traffic conditions, not circumstances and conditions which may be artificially created by contract.” He then goes on and quotes further from that case. What I am pointing out to you is that so far as it is alleged that the bringing in of the Crowsnest pass agreement will not affect any territory but the rails laid down at that time is contrary to the law which was laid down. The contention that it will create a discrimination against any other territory is contrary to the law as laid down, and that no discrimination can be created against the east or against British Columbia on the law as laid down if the Crowsnest pass agreement comes in. The third decision was the decision of the Railway Commission in 1917, known as the 15 per cent increase case, presided over by Sir Henry Drayton. In that case the point again specifically came up, because the 15 per cent increase was limited, by reason of the Crowsnest pass agreement. Sir Henry Drayton held in that case along with his Board, that they would wipe out the Manitoba agreement, that it did not bind them, and that they could not give the increase in so far as it interfered with the Crowsnest pass rates, therefore he held that they were limited throughout on the commodities covered by the Crowsnest pass agreement. These are the decisions of the three Boards, and they are absolutely the law as it stands, because, as you gentlemen know, under the Railway Act the Board of Railway Commissioners is created a Court, it must be presided over by a lawyer, and their judgment upon questions of law shall be final, except that there is an appeal to the Supreme Court of Canada. Now having in mind these cases, the true situation we are advised is, that with respect to the commodities covered by the agreement, every territory operated under similar conditions is affected with respect to every other commodity, and that the Railway Commission will fix rates having in mind the east American rail and water competition, and having also in mind commodities of a similar character as those covered by the Crowsnest pass agreement in case those commodities are in question. I notice also that the suggestion is thrown out that if the Crowsnest pass agreement comes into effect a disparity in favour of the west as against the east will be created. Let me point out that it is quite contrary to the fact and that the disparity under which we have long laboured will be, for the time being, until conditions become normal partially removed. Recall for a moment the figures I gave you this morning. For the five-year period from 1907 to 1911, the net earnings in the west were 110 per cent greater than in the east; for the five-year period, 1912 to 1916, they were 154 per cent greater; for the five-year period, 1916 to 1920, they were 105 per cent greater, and for the year 1921, they were 157 per cent greater. The year 1921 is the year which has been considered by the railways in the figures they have given, and they were 157 per cent greater. Stop and consider that, gentlemen, with the knowledge, which is undoubted, that the greatest deflation which has occurred in this country has been the deflation in the agricultural commodities. For fifteen and a half years, the longest record we have, the net earnings have been on the C.P.R. as follows: In the west \$405,000,000, in the east \$177,000,000, or 129 per cent higher over a fifteen and a half year period.

Is it argued or is it suggested in the face of these facts that there is not a disparity to be removed, or that the bringing in of a maximum laid down as a railroad policy has yielded 129 per cent less than the territory which now practically for the first time asks the benefit of that maximum? We are not here asking for anything, at least I am not here asking for anything; all we say is, keep off the grass and let the grass grow. We are not seeking the abrogation of the Crowsnest pass agreement or its

[Mr. Symington.]

suspension; we are not here seeking affirmative legislation bringing it in. Somebody else is here seeking that; I do not know who it is, but we are not. All we say is that we are asking for nothing. We say that for you to take an affirmative position, to take away from us that benefit in the face of statements like that would be something that in our view and in the view of the province that I represent, would be reprehensible beyond anything our representatives in Parliament might do.

By Mr. Vien:

Q. Mr. Symington, let me ask here; you suggest that somebody is trying to convince the Committee that the Crownsnest pass agreement should not be reinstated?—A. Yes, sir.

Q. The position is not quite that. You know an investigation has taken place before the Board of Railway Commissioners, do you not?—A. I was there.

Q. That Board of Railway Commissioners cannot give a final decision until such time as they know what position they will have to take in respect of the Crownsnest pass agreement?—A. Quite properly.

Q. Furthermore, before deciding whether this agreement is suspended further, or whether it is reinstated, Parliament has to decide, and has appointed this Committee to inquire into the conditions?—A. Quite so.

Q. So as to determine whether there may be a further suspension or not. So that I think the statement you made that somebody, you do not know who it is, but you make the suggestion that some one is after Parliament to influence it in some way or other is not quite correct?—A. All I know, Mr. Chairman, is this, that I have read the evidence of the railway companies, and I have been told sitting in this House that the railway companies have come here and said—

Q. At our invitation just as much as you?—A. May be so, may be at your invitation, but they have come here and said, Abrogate the Agreement, and we will give you something else for it. If I am wrong, then I am wrong and I have misconceived the position of things.

By the Chairman:

Q. I think you are both losing time?—A. I will answer any questions, Mr. Chairman, or I will discuss any matters with the Committee.

Q. It was not only abrogation, unless by implication?—A. I heard Mr. Vien ask a question as to what some witness thought about abrogation.

By Mr. Vien:

Q. But you said that the suggestion was made by somebody, and I think it is not true.

The CHAIRMAN: Just a little inuendo.

The WITNESS: Of course I mean, quite frankly, and I think the Committee recognizes it when I said I did not know who. I meant that the railways were here seeking the abrogation of that agreement.

By Mr. Vien:

Q. You have been invited here, and the railways have been invited the same as you, without making any special suggestion.—A. I am here suggesting that it be not abrogated, and they are suggesting that it be abrogated. I am willing to let the matter automatically follow its course. So that when we have a case before the Railway Commission, it shall not be interfered with by a change of the Railway Act or of the railway law as it has existed during all these years. There is this disparity which I have pointed out, covering the period of fifteen and a half years.

By the Chairman:

Q. Does the West include British Columbia?—A. Yes, sir.

[Mr. Symington.]

Q. It includes Trans-Pacific freight, and everything like that?—A. It includes the freight from the time it passes Fort William westward, just as the eastern division includes grain after it passes Fort William eastward.

Q. Where do you get the figures from?—A. From the C.P.R. This disparity, as we suggest, has largely been created by grain rates, and grain is an essential commodity covered by the Crowsnest pass agreement. This is shown by the statement in evidence of the railway companies, that 45 per cent—I think I should correct that, because I think Mr. Lanigan subsequently reduced it—of the C.P.R. western traffic is grain, and it is also shown, I would suggest to this Committee, by the monthly returns which we were able to get in the last Rate Case for the last six months of 1920 and for the whole of the year 1921, and I would like to ask the Committee to peruse these figures with some care as we think they are very illuminating. The net returns from July to December by months were as follows:

By Hon. Mr. Crerar:

Q. These figures are for what period?—A. The last six months of 1920 when you will understand the large increase in grain rates came into effect, in time to catch the 1920 crop. In July on eastern lines the net was \$622,000, western lines, \$1,053,000; August, eastern lines, \$855,000, western lines, \$1,654,000. There is not a great deal of discrepancy in anything perhaps that anybody can complain of there. In September there is a little more grain moved from southern Manitoba. The grain ripens in September and has been shipped. The figures for September are, for the east \$1,379,000, for the west, \$2,759,000; in October, east, \$1,400,000, west, \$6,588,000. October is our biggest month. Think of it, \$6,588,000 net in the month of October, 1920. In November, east, \$416,343, and in the west, \$4,948,144. In December, east, \$139,756, and in the west, \$3,828,951, making a grand total for the eastern lines \$4,871,830, and for western lines \$20,822,726. These are net earnings. You will notice that the net earnings in July and August in the west are a million, and a million six hundred thousand respectively. Some of the grain moves in September, and the net jumped to \$2,700,000. October, the big grain month, gave a net profit in one month of \$6,588,000, as I said before, the largest at any time in the history of the Canadian Pacific Railway Company. November, \$4,900,000, and December \$3,800,000. The total net for the six months was over four times greater in the west than in the east, and of the western net earnings over \$14,000,000 out of \$20,000,000 were earned in the three big grain moving months. The operating ratio of 80.83 in August was reduced to 56.46 in October and 66.32 in November. Where do the profits come from? Is it grain? Is it the haulage of grain? November 4,900,000 and December 3,800,000, a total for the six months of over four times greater in the west than in the east. Fourteen million dollars thrown into the three big grain moving months; with an operating ratio of 80.23 in August. That is, where it cost 80.23 to earn a dollar in the west in August, in the month of October when traffic started to move, namely the grain, it only cost them 66 cents to earn a dollar. In November it only cost them 66 cents. Do you want any further proof, because I propose to give you some further proof. I ask the Committee to examine these results and say whether or not a traffic that produced these earnings would under the Crowsnest pass agreement create a disparity against any other traffic or any other territory. The year 1921 is just as illuminating. I do not propose to read all the months, but for that year the first six months, January to June, the differences are not very great in net earnings. They are higher in the west but not very much, a natural consequence of the long haul and higher rates. But when you come to the later months, the grain moving months, again we find September jumping up by a million, over \$1,300,000 over August. In October we find the following results: In the east \$8,022,000 net earnings; in the west \$6,339,000, almost up to the October of the previous year. We find the operating ratio in October reduced by that grain movement to 55.02. It cost 55.02 cents to earn a dollar in that month. November, east \$4,403. I want

[Mr. Symington.]

you to notice that because I propose to draw an inference from it. November, net east \$4,400; November, west \$5,048,000; December, east \$566,000; December, west \$3,170,000. For the year \$11,000,000 east, and \$30,000,000 west.

By Mr. Vien:

Q. Have you got the figures for the twelve months giving the details for every month?—A. For every month. Would you like me to read them? I simply stated that the first six months were slightly higher in the west than in the east, but the whole twelve months are there. I submit to you that these monthly figures illustrate very clearly the value of the traffic. Given twice as much grain as we have to-day in the west, and I submit as a reasoned opinion to this Committee that there will be no more railway deficits in Canada if, for example,—mind this may be considered an extreme example, but let us take an illustrative example—if you were able to apply that October western operating ratio of 55.02 to the total revenue of the C.P.R., the net earnings on the western lines would have been \$40,000,000 instead of \$30,000,000, and on all Canadian lines \$84,000,000 instead of \$41,000,000. Now, do you see what that means? If you had the traffic which the crops produce now for three months; that is, they produce, if my recollection serves me, an average of 19,000 cars a month moved in the months of October, November and December; and an average roughly speaking, of from 3,000 to 5,000 each month during the balance of the year—it was only in the big crop following 1915 that there was any material movement late throughout the year of grain—if my recollection again serves me correctly, during the months of July, August and September there were 26,000 cars of the 1915 crop moved in July, August and September, 1916. In other words, if you had the traffic which even under the extreme operating conditions which exist to-day in railroad circles—and nobody denies it, I do not deny the trouble the railways have in operating—if you were able to apply the operating ratio which they are able and we are able to show in that grain month of October, you would have had net earnings throughout Canada of \$84,000,000 for that year, instead of \$41,000,000. That I submit is the foundation for the statement that given the traffic, given the grain and what results from grain—because you will see from the statement a relative increase in eastern earnings following the crops each year if you study them—given the traffic, given the production and the troubles of the C.P.R. and the troubles of the Canadian National Railway would cease, and there would not be any big deficits, but there would be considerable talk about railway rates.

By Mr. Macdonald:

Q. Did you give the figures of the C.N.R. for those months?—A. They did not furnish them. I do not know whether you were in, but we asked them for the information for the Board. These figures demonstrate also I submit, stating it in another way, that the grain traffic is the big earning factor in Canadian railroad operations; and I also ask your perusal of them because it illustrates the value to the East of the long haul traffic. Give the purchasing power to the West and railway earnings immediately improve. The position of the C.P.R. in the East is illustrated for example by that month of November, 1921. I admit I am taking an extreme month for the purpose of illustration. For \$6,000,000 worth of business they made only \$4,400. It cost them 99.23 cents to earn a dollar, and on \$6,000,000 they earned \$4,400. Well in the West after doing some \$11,000,000 worth of business they made over \$5,000,000.

By Mr. Archambault:

Q. For the same month?—A. For the same month.

By the Chairman:

Q. What proportion of wheat delivered at Fort William moves to Montreal and St. John by rail? Do you happen to know that?—A. I cannot tell you offhand. I [Mr. Symington.]

did know, and I will let you know. Without that long haul, that difference I submit, and those diminishing figures in the East, as shown by the monthly returns of those two years are I submit to this Committee by a study of the facts due largely to the elimination of the long haul business to the West, because the West has not had the purchasing power. Without that long haul, the C.P.R. in the East is getting into about the same position as the Grand Trunk Railway. Now, the Grand Trunk Railway on its eastern system—and do not run away with the idea that the Grand Trunk was not an efficiently operated road—the Grand Trunk Railway on its eastern system carried more tonnage than the C.P.R. on its whole system. And yet look at the difference in the net results, not in these abnormal times, but in normal times; look at the difference in the results. It has been explained by a gentleman who was appointed by this Government, or by a Government at Ottawa, to enquire into the situation. He went into the subject thoroughly and the explanation was the long haul bulk traffic and the higher western rates on the C.P.R. which the Grand Trunk has not the benefit of.

By Mr. Vien:

Q. Who made that statement?—A. Sir Jos. Flavelle in his report to the late Government upon the condition of the National Railways. He went into the subject thoroughly, and it is natural that the Grand Trunk system has laboured on the short haul basis and upon the lowered rates, the lowered maxima which are in force in the East by reason of the American rail and water competition. That is why in carrying more tonnage upon their eastern lines than the C.P.R. carried upon their whole system, the Grand Trunk shows the loss it does and the C.P.R. shows the surplus that it does. So I submit, having in mind that partly, and watching the operating ratios of the C.P.R. in the East during the later period, I submit to this Committee that it is necessary to continue to foster for the purposes not only of the C.P.R. but of the Canadian National system the long haul traffic with the West, and that policy so long ago laid down—having in mind the nature of our country—of encouraging interprovincial traffic—Mr. Vien will agree with that—that policy should be followed throughout and should not be abandoned at this time when the only thing that was ever done in the West to encourage it has now become of practical benefit, and it is proposed to do away with it or to abandon it. Now I have submitted that you need buying power in the West to improve the eastern earnings and I make the statement that that is the quickest and surest way of improving eastern earnings. Well, how are we to get it? There are only two ways, or really only one. It is by people and it is by production; that is all. The land will not grow if it is not tilled. Make it possible then to transport their grain east, leaving them as much margin as possible, consistent with a reasonably fair margin of profit upon that commodity as compared with other commodities. Now one has the grain—our competitors lie to the south. You all know that,—one half the grain grown by our competitors is grown in the state of Minnesota, that is one-half of the crop that we are in competition with is produced in the state of Minnesota, where the average rate to the water front is approximately—and I use the word “approximately”—seven cents under Manitoba and nineteen cents under Saskatchewan.

By the Chairman:

Q. That is to the lakes?—A. To the lake front and to the lake. From the lake front to the ocean port are the same via either route.

By Mr. Vien:

Q. Can you give the exact figures?—A. The exact figures.

Q. Yes?—A. I will explain how we arrive at that and the reason of the use of the word “approximate.” I will give you if you want, the rates from all points in Manitoba and all points in Minnesota.

[Mr. Symington.]

Q. If you have them ready you might file them as exhibits?—A. I pointed out in the start I was not here arguing a rates case, but I have them in those books and I will give you copies if you want them.

By Hon. Mr. Creer:

Q. That is per hundred pounds?—A. Yes.

By Mr. Vien:

Q. I think that is right. It might be filed as an exhibit?—A. It is ready in the shape of exhibits filed with the Board of Railway Commissioners, of which I have copies.

Q. You might file one as an exhibit?—A. I will be perfectly glad to. I hope you will peruse them, as there is lots of information in them. There is a liberal education in them. They cost a lot of brain work and a lot of brain fag.

By the Chairman:

Q. The only reason I asked the question as to whether you meant to the lakes was you meant to the water?—A. The water front at the lakes.

Q. Minnesota is how much nearer to the lakes?—A. The boundary of Minnesota is immediately south of Winnipeg, that is it is immediately south of the territory where we grow practically no grain.

Q. Duluth and Fort William?—A. Yes.

Q. Can you point it out on the map?—A. No. I think I have a map some place. I filed one with the Railway Commission. There is no question that they have a shorter haul. I am pointing out that our competition gets his crop to the water front, either the lake or the ocean, it does not matter, because the rate from the water front to the ocean is the same, as I understand it, that is approximately seven cents under Manitoba and nineteen cents under Saskatchewan. I am discussing the question of getting people and getting production. Our rates from Saskatchewan and Alberta to Fort William, farther away, are mile for mile slightly lower. As to that I have not been able to satisfy myself, but I am going to accept Mr. Lanigan's statement, are slightly lower from West Dakota and Montana, Western North Dakota comes to the boundary of Saskatchewan and Manitoba, but their production, western Minnesota and Montana is about eighteen per cent of what it was in Saskatchewan and Alberta. I suggest to this Committee that the difference of an amount of eighty-two cents in bulk haul traffic of the character that justifies in fact a reduction at the very lines under this competition, rates where the eighteen cent product is produced, of thirty per cent again. It is bulk again, as I want to stress and when you hear that our farmers in Saskatchewan and Alberta have a mile for mile less rate than the producers in the territory immediately to the south of them, bear in mind that this rate carries eighteen per cent of the traffic in one territory that it does in the other, and it is no reason to say that mile for mile our rates should be the same or lower. It is not necessary to claim that lower rates give greater production and that is what makes profitable railroading. Montana has mountains that do not produce grain at all but you have returns from the department, roughly, the respective territory north and south and on the other hand these territories are with respect to the balance of the crop in competition with Montana and Minnesota, as I understand it, from Fort William to the seaboard more than from Duluth to the seaboard.

By the Chairman:

Q. That would be governed by the rates from Buffalo to the New York route?—A. Competition. It works out that way, but I don't know that it works out the other way, because on traffic coming westward, lake and rail, or all rail now coming are the comparative rates of September 8th, 1920. I have not seen the rail rates put in this year, but let me point out to you when we are considering the attraction of set-

[Mr. Symington.]

tlers, I have shown the condition on what he produces. The all rail rate, fifth class, that is what matters in the distribution of traffic in this territory, through New York territory throughout, the all rail rate to Minneapolis and St. Paul which is the distributing point compared to Winnipeg was 86.5 on fifth class. The all rail rate from Montreal and Toronto to Winnipeg, fifth class, at the same time, was 123½; 86½ as opposed to 123½; the lake rail rates from New York and New York territory by rail to Duluth and by rail to Minneapolis, fifth class, 67 cents. Montreal to Toronto and territory to Sarnia and by Northern Navigation to Owen Sound by Canadian Pacific Railway boat to Fort William fifth class was 117½.

By Mr. Vien:

Q. Those are the rates on what produce—on wheat?—No, that is stuff going west, fifth class commodities, groceries, and so on. Now I ask you would you expect settlers of intelligence to pick out a territory under those disadvantages. You must provide, as a matter of public policy, if you will permit me to suggest one thing, the cheapest possible transportation rates on grain. Get production and we will haul our stuff that we use which gives the eastern territories a long haul to Fort William and the West and give the railways a long haul and we will make the earning in the eastern territories that reduce rates. In normal times at normal rates the Grand Trunk was not a prosperous road. We all know that. The C.P.R. with its net earnings treasure house has been the most prosperous company in this Dominion and the greatest transportation agency in the world. On this subject may I quote to you that very great authority, Mr. J. J. Hill, shortly discussing this very question of grain rates. "If you don't make the rates so as to encourage the production of wheat in a wheat country, what becomes of the merchandise? There will not be any. There would not be any towns. It would return to an unoccupied wilderness. It is an unfair discrimination to make the lower rates for the man who is cultivating the soil because on his products depends the growth of the entire section of the country and you must build it up and if you do not the railway is not worth a cent. It has to have its prosperity or its poverty with the growth of the country. What would the railway be worth if nobody lived along its lines?" I submit to the Committee that these words of Mr. Hill, which he had in mind when he founded his Great Northern Railway, the grain earnings on which, the prairie earnings on which, without Government aid of any kind, paid its extension to the Pacific coast. These words apply with special emphasis to Canada with its agricultural west and its industrial east. I think it would be the part of wisdom both of the part of the east and the west to give the cheapest possible transportation rates on grain, and I think only in that way, unless methods of operation completely change, can we improve very much in eastern territory. Now going back to the Crowsnest pass agreement, the position we take is that where a contract is entered into in which a consideration is passed on the part of the public, the conditions under which that consideration is given should not be surrendered. This has and always has been the position taken by the C.P.R. heretofore. In the 1917 increase case it was urged that the C.P.R. was in a position to give lower rates by reason of the advantages which had accrued to it from the subventions which they received under its original contract with the Crown, estimated in 1917 by Phippen at no less a sum than \$450,000,000, one-half the total shown assets of the Canadian Pacific Railway at that date. True, they are over a billion now, and it was argued in that case, and I was there, that that year was a prosperous one for the C.P.R. I think their surplus was thirteen or fourteen million dollars, that year, 1917, and yet the fifteen per cent increase came in. It was argued by reason of the subventions which they had received from the Crown under a contract that they were in position to do without the increase. The C.P.R. protested vigorously and on the appeal in the fifteen per cent case to the Governor General in Council, Mr. Beatty on March 1, 1918, before the Privy Council, is reported at pages 34 and 35 on that subject as follows, the same Mr. Beatty who gave evidence here:

[Mr. Symington.]

"An impression seems to exist that that is not a contract at all and if it is a contract, it is a contract that thirty-seven years later can be amended or varied with perfect propriety by the Crown. It has been said that we did get assistance under the contract and that that assistance has a lot to do with our present position. I think we are probably misusing terms. What we did was to make a contract for a consideration and having fulfilled the obligation to construct, complete and operate, it is not now open to the Crown to say, 'We are partners with you in this enterprise to the extent of taking from you anything which you obtained under the contract or any benefit which may accrue to you from the utilization of what you received by railway works or otherwise under the contract'". The position taken by Mr. Beatty was "true, we made this contract and we paid for it and the Crown cannot with propriety change it. The position with respect to the contract was this. It was to construct and operate a railway. Their consideration was the completion of an Act at that time. The consideration on the part of the people was a running consideration existing to-day; not only on their land grants. It exists by virtue of the tax exemptions throughout the country. It exists by virtue of many other considerations which still run—we cannot collect taxes on the C.P.R. land and if I remember rightly it was something like 32,000,000 acres. In that case, we had the running covenant which we are still performing and which we ask you with propriety to be changed. In this case it was the Government who paid in full the covenant by their subsidies, by their charges, but in addition to the installation of the rates, there was the running covenant of the railway company, and I submit to this Committee that what is a good rule for the C.P.R. in one case is a good rule for the other. Unless it is brought home to this Committee, and we get in certain evidence, and no uncertain proof that it is so necessary to public policy and it should not be tolerated and I submit to the Committee that a study of the figures did not justify setting aside that agreement upon any such ground. I suggest to the Committee that the benefit of that agreement, and it is something which should on the facts and figures and on the question of the contractual rights come into force and effect and that that has not been done.

(Reads): "The matter is extremely important because the whole Railway Act must be taken to have been framed in the light of the maximum agreement then in existence. The railways took the position before the Board that they have to run and to carry traffic and that the Board must fix just and reasonable rates, which they say means rates which will produce a certain percentage of profit for dividends and reserve. They say we are not making too much money and therefore the rates cannot be reduced. They say our operating costs are very high, but they do not reduce them. The Board has no authority over these operating costs and are therefore helpless if this contention is correct. With respect to the eastern and western results the railways say we cannot put eastern rates any higher because of water and American rail competition and therefore to make our proper returns we must take it out the the west. They now ask you"—or, with apologies to Mr. Vien,—the suggestion is made to take off that statutory maximum in the west which you bought and paid for. They have forced shipping in the west, and they have no competition. They ask you to abandon the policy laid down by the Railway Act in the encouragement and settlement of that country when they said in that Act, "You, Mr. Railway Commissioner, can never fix the rates on grain above that maximum of the Crowsnest pass agreement." That was not entered into in an ill-considered manner. There were commissions of experts held to inquire into the drafting of that Railway Act, and the results, in my submission, have shown how wise it was, because those rates higher than the Crowsnest agreement rates have contributed to the disastrous position of the west to-day, and are rates, in fact, higher than the traffic can bear. (Reads): "The Canadian Pacific Railway Company are not in need of money." Please do not think for one moment that I am one of those who hope to see the Canadian Pacific Railway Company cease to earn its dividends. I do not want that, but if conditions

[Mr. Symington.]

are such that in order to earn these dividends until things become normal they have to charge these abnormally high and killing rates upon grain, then I am afraid between the destruction of that part of the country and a possible reduction of the Canadian Pacific Railway dividends, I am forced in the public interest to choose the reduction in rates. I have made it clear to the Committee, I think, that I do not believe that will be the result. I have made it clear that if the advices which we receive with respect to this Labour Board are correct, the Canadian Pacific Railway will be in a better position at the end of next year than they could possibly be at the end of 1921, putting in the Crowsnest pass rates and several other lower rates. (Reads): "Their common stock is \$260,000,000 and their shown assets well over a billion. By the terms of this original contract, which is sacred and which according to Mr. Beatty cannot with propriety be varied or changed—they have been able to accumulate and acquire these millions. Why then under another contract between the same parties should that contract advantageous to the other side be varied or changed? The Crowsnest pass agreement is one of the sheet anchors in the rate situation, and rates above it destroy business and it would be disastrous to establish the principle that a contract paid for by the people is to be changed under conditions such as exist at the present time. If the contract creates discrimination against the east the Railway Act provides a remedy for the removal of that discrimination." As I have pointed out, and as I desire to repeat, the decisions are that a self-imposed rate by a contract is not a forced rate and does not justify discrimination. (Reads): "It of course produces no such discrimination against the east as shown by the figures of the net earnings in the two territories, and as a matter of fact it will materially assist in lightening the burdens of the east in the long run.

"Summarizing this evidence on behalf of the three Prairie Provinces:

- "(1) Canada made a contract with the Canadian Pacific Railway and paid the consideration in full and the benefits which may accrue to Canada cannot (in the language of Mr. Beatty), with propriety be taken away.
- "(2) The east has maximum protection from water competition and American rail competition. The west has no maximum protection except that which was bought and paid for under statutory agreement.
- "(3) The maximum protection to the east is a continuing one. The maximum protection in the west is only effective when rates are higher than the traffic can possibly bear.
- "(4) Grain rates under the Crowsnest pass agreement will pay reasonable profits to the railways and are from 7 per cent to 40 per cent higher than the grain rates in 1917 and for many years previous.
- "(5) Disparity in favour of the west will not be created, but some of the disparity against the west will under present conditions be relieved."

By that I mean that the moment operation gets down to normal it will not be of any use or remove that disparity.

- "(6) Eastern rates will automatically come down as the result of American reductions.
- "(7) The Crowsnest pass rates will only be a protecting maximum until normal times return; normal rates are below these rates.
- "(8) We have tried rates above this maximum with disastrous effects. We suggest it is time to try operating under lower grain rates.
- "(9) Rates without traffic are useless."

I ask you to note the decreases in every traffic on the railroads, both last year and this year, except the grain traffic.

- "(10) Grain rates have borne more than their fair share of railway financing.
- "(11) The abolition of this maximum provided by the agreement would completely change the whole theory and structure of the Railway Act, the policy of which was settled after careful preparatory study."

[Mr. Symington.]

Those are my submissions, Mr. Chairman and gentlemen, and I only desire to say that if that agreement, and the protection granted thereby, are now abrogated or suspended, you are taking away from a country which has suffered under the disparity between the two territories more than you realize, and taking away a protection which they need and which, in our submission, they are entitled to to its fullest extent under the present conditions. With the return of normal conditions, the maximum is of no use to us.

The CHAIRMAN: Do any members of the Committee desire to ask Mr. Symington any further questions?

By Hon. Mr. Manion:

Q. Nobody will dispute the accuracy of Mr. Symington's argument if applied only to the Canadian Pacific Railway, but there is a circumstance which he knows quite well which makes it a little more difficult for this Committee to decide what is fair to the whole country, and that is the building of the two Government railways which, they have claimed on oath before this Committee, lose, I think Mr. Hanna said \$10,000,000. That is the circumstance which, of course, requires consideration?—A. I do not know whether you were here this morning, Dr. Manion, when we discussed that \$10,000,000. I think it was decided that it was arrived at on the theory that all rates were going down to where they were before September, 1920, not by virtue of the Crownsnest pass agreement. But I would like to say this: The Canadian National Railway was the Canadian Northern Railway and other railways, which went into a territory knowing the existing rates upon freight, and knowing the discriminatory clauses of the Railway Act. I venture to submit that the fact that they have become Canadian National roads does not change the law with respect to those companies or their obligations or their duties. Surely because the Government happened to operate it, they are not to be relieved from what they undertook with their eyes open. They went in there knowing these rates. They went in there and installed these rates and knowing the discrimination, and now they have been taken over by another corporation. It happens to be the Dominion Government who owns the stock of these corporations, but surely that is no reason for the change of policy.

By Mr. Macdonald:

Q. That is very ingenious, but you do not say anything about those of us who have to tax the people to pay the deficits?—A. Quite so. Neither is it any answer to our people who are paying the shot in the way of railway rates.

Q. It depends on whether the whole country is going to pay the shot or not?—A. If you agree with the Board of Railway Commissioners in their findings that there is a disparity in rates against the West—

Q. That is not the point Dr. Manion is putting to you. The point he is putting to you is whether or not this Parliament should be compelled to tax the people by every new avenue of taxation in order to make up the deficit?—A. That may be, but I would quite agree that if you remove the disparity and then come before the Railway Commission and before Parliament with these discriminations removed and say, "Here is what the Canadian National is doing and you have to increase the rates," then you are getting down to a fair and equitable basis.

Q. That is where we are at. How are we going to get the \$72,000,000 of a deficit?—A. You have not removed the disparity. They are trying now to perpetuate that disparity.

Q. Mr. Hanna says he is prepared to make a reduction in rates on basic commodities through the whole country which will relieve the West as well as the East, and he offers that as the solution of the situation temporarily, and the question is as to whether or not that readjustment of the burden of taxation, which would place the burden more equitably on the whole country, is not the solution to be found just now in this extremity.

[Mr. Symington.]

The WITNESS: Well, Mr. Macdonald, if my premises are correct, that there is a disparity against the west which produces these results which you say and which the million people on the prairies are paying, and it is a disparity, is it any argument against the removal of that disparity, or part of that disparity, that somebody is to be taxed? I am not overlooking your troubles as a Parliamentarian, you will understand.

Q. For forty years the people of the maritime provinces enjoyed rates of a character such as is claimed we are entitled to under the Crownsnest pass agreement, and it is claimed by us that they were accorded to us under the British North America Act. Then, all of a sudden Mr. Hanna comes along, four years ago and puts an increase of 100 per cent upon our basic commodities?—A. You refer to the Intercolonial?

Q. Yes. While we are anxious to get some relief, we think we have a case pretty much the same as yours; and we are told, here is this enormous deficit, and you have to pay it whether you like it or not. I am anxious to find a way out, just as well as you are?—A. But that is your problem, Mr. Macdonald. We are asking that the Railway Act be let alone.

Q. We are not asking for any new Act alone. We are simply asking to be put back into the position we occupied before these enormous deficits came in?—A. I am asking to go farther than that.

Q. But that is the same thing. This is quibbling?—A. No, it is not quibbling. I am not used to quibbling. I have heard you make your arguments before the Railway Commission, in which you claimed under the British North America Act you had an implied agreement that the differential over Montreal would be a certain number of cents.

Q. Not merely that, it was the whole rate structure?—A. I have also heard the Board tell you that they had no power over Intercolonial rates.

Hon. Mr. MANION: I had not finished quite with my questions, Mr. Macdonald.

The WITNESS: The problem to my mind is an entirely different one. If you go to the Government of the Dominion and convince them that that was part of a Confederation agreement, I do not think you will find anybody in the West so far as I know, at any rate, who will oppose you.

By Mr. Macdonald:

Q. No, but they will say that they are operating this railway on a deficit of \$75,000,000, and that we will have to pay it?—A. I have tried to avoid it, but if you press me I will have to tell you. Your railways are operated under the biggest deficits that are to be found in any part of the country.

That is one of the great delusions of this country. I can show you railway statements which were laid before Parliament up to the year 1914, showing that we were operating at a profit. That is one of the delusions in west as well as in Central Canada. I will be glad to go over the figures with you?—A. On the C.P.R. do you mean?

Q. We have had a 100 per cent increase in freight rates brought down upon us, and we are told that here is this deficit and you have to pay it. How can we wrestle with the \$10,000,000 which Mr. Hanna says is going to be produced?—A. My argument is that the west is more than paying its way, and under this reduction it will be more than paying its way.

Q. The rest of Canada will pay it, then?—A. I do not care who has to pay it. Well, I do care, because I will have to pay just as well as you will.

Mr. VIEN: Not to the same extent, though.

The WITNESS: Of course, you may earn more money than I can earn, Mr. Vien.

Mr. VIEN: I am talking seriously, and you should not try to be witty. That is not the question at all, and you know perfectly well that that is the case. You are

[Mr. Symington.]

representing three provinces, which altogether have not one-half the valuation of the province of Ontario for instance.—A. That is correct.

Q. And if the \$10,000,000 is going to be assessed over Canada, Ontario alone is going to pay twice as much as the three prairie provinces together?—A. Very likely.

Q. That is why I say that if you are going to pay, you are not going to pay in the same proportion, or as much. It is not a question of what I earn or what I do not earn.—A. Is it a question then, Mr. Chairman, or is it any answer to say that if we have been producing throughout this time this undue proportion of railway earnings that we should continue to be called upon?

Q. My remark was brought out by the fact that you said you were going to pay as much as the others. I say that the three provinces you represent would not pay as much, and you said also that you were not bothered about who was going to pay the bill. I can tell you that we are representing the Dominion of Canada at large, and we are interested in knowing who is going to pay the bill.—A. As I understand it, I came here to discuss the problem in connection with freight rates and the Crowsnest pass agreement. My contention is that the west has contributed to the railway systems far more than they are called upon or should contribute to those railway systems. I say that that disparity will, to some extent, be relieved by the installation of a contract rate, bought and paid for, and which we are entitled to, and it is no answer to say, if my premises are correct, that somebody is to be taxed to remove that disparity, and then put up your rates if you prefer that to taxation.

By Hon. Mr. Manion:

Q. Before I go on, I would like to say this, that there has been a tendency among the witnesses—I do not refer particularly to you, Mr. Symington—and particularly among some of the Committee, to draw a conclusion when a question is asked, that it is an attempt to refute the statements of the witness. Personally I ask questions with the intention of trying to get information. The reason why I say this is that just behind me a gentleman made the remark that that was going to be the last thing on which we will hang our hats.—A. Do not worry about apologizing to me, Dr. Manion, or for asking me a question.

Q. I think the apology is coming the other way. I do not mean you particularly, Mr. Symington. I do not think anybody is entitled to impute motives. What I am asking for is information, and I am suggesting that you said it would not be fair for the west to pay all that money in freight rates. At any rate there is this about it; we are not deciding, and no member of this Committee is attempting to decide between not giving any relief to the west and giving the Crowsnest agreement. At any rate, there is no question that the worst proposition made towards the west has been towards a general reduction, including grain of course. There would not be a complete tax under those circumstances, even if the Crowsnest agreement were not carried out.—A. I understand that.

Q. Suppose Mr. Hanna's figures are correct; you dispute them, and we have to judge between you.—A. Roughly speaking I do.

Q. Suppose there was that deficit. I admit your argument that the railways went in there knowing that the C.P.R. had that agreement, but at the same time the Canadian Northern and the Canadian Pacific never made that agreement; they are only affected by that agreement in so far as they are affected by the C.P.R. having made it. Does that in your view have any bearing upon the circumstance in this case that they have no agreement?—A. In my submission, it has no relation, I mean on an equitable basis, and for several reasons; in the first place they did enter into the Manitoba agreement, a solemn contract, which was lower than the Crowsnest pass agreement and other agreements which unfortunately for the people of western Canada were not supplemented, and I do not know but that it might be in place to refer you to these things, not that they have any practical effect, but that they show

[Mr. Symington.]

the policy adopted of laying down the maximum rates when giving subsidies of western lands to these railways. Speaking of that system, the Canadian Northern Railway system extended its main line from Grand View to Edmonton. True, they had their main line and all their Manitoba lines operated under the Manitoba agreement, which was a Government agreement, entered into by His Majesty as represented by the province of Manitoba, which guaranteed the full bond issue of that road, that rates would be established on a certain basis and that those rates only would be charged, and no higher than the fixed rates. By force of circumstances, that has gone to the Board; it was not a Dominion agreement, the road was declared to be for the benefit of Canada, and therefore that policy was adopted, and while those rates were still in effect they extended their line from Grand View to Edmonton, a distance of 620 miles, and this agreement covers also the Prince Albert Branch, one hundred miles east, and similar agreements covering parts of the west. They came to the Parliament of Canada for a subsidy. Parliament, knowing that they had those rates fixed lower than the Crowsnest pass agreement rates, passed an Act providing that the rates charged upon these roads would never at any time be higher—following out that principle, you will understand. I might mention incidentally that in the course of the debate, it was held out that this road, with its wonderful grades, would enable them to haul two tons for one on the other road, and so on.

By Mr. Vien:

Q. Can you give me the reference to the statute, Mr. Symington?—A. The reference is to the statute of 1903. I am afraid I cannot give it to you, but copies of the Agreement can be obtained from the Department of Railways and Canals.

By Hon. Mr. Crerar:

Q. These special rates became effective after that?—A. This bill came in—I will not say it was a joker—in the last days of the session; the opposition took the ground properly that this was such an important measure that these rates should be shown. They were assured by the Government of the day that it was a very important matter, and that they could rely upon the Government seeing that these rates would be attached. They did execute an Agreement following that statute, which has this provision in Clause 10:—

“10—That the rates and tolls to be charged for the transfer and carriage of freight and passengers upon the lines of railway so constructed and aided, and upon all the lines owned by the Company, shall be under the control of the Governor in Council, or of such authority, commission or tribunal as is designated or constituted under any Act of the Parliament of Canada for the regulation or control of the business of railways; provided that the rates or tolls to be charged by the Company shall not in any case be higher than the rates or tolls fixed by an Agreement supplementary hereto, but which in accordance with the said Act shall be taken to form part hereof, to be hereafter executed between the parties to these presents.”

By Mr. Boys:

Q. And the rates in that were the rates provided for in the Agreement?—A. The Agreement was executed, the subsidy was paid, but the schedule was never attached.

Q. But let us get to the point; the intention was to attach the schedule?—A. Certainly.

Q. You may understand it, but I do not. Had it been attached, the rates would have been the rates agreed for in the Province?—A. The rates specified in the Manitoba Agreement.

[Mr. Symington.]

Q. Do you mean to say the Railway Commission would not regard that as important?—A. Mr. Boys, may I say to you that with respect to this and the other one, I argued it not only before the Railway Commission, but I argued it before the Governor in Council.

It was a rule laid down that both parties continue to operate for years under the rates then in existence and those rates would be part of this agreement. But they were not there and I could not succeed. But I cite you these things in answer to Dr. Manion to show that there is not any question about the definite principle of Parliament extending at least over the period of years, from 1897 to 1909, of creating maximum rates in that territory which was not protected by maximum rates when the East was protected by the natural causes of which I have told you. There is no doubt about the principle extending over that period of years.

By Hon. Mr. Stewart:

Q. When the matter was before the Railway Commission, what other interests were represented?—A. This question has never come up as a direct point of law, but in the 15 per cent rate case all parties were before the Board.

Q. Were all parties before the Governor in Council?—A. Yes, and I argued there. You will find my argument—there was a brief statement made and copies of it are with the Clerk of the Executive Council.

By Mr. Boys:

Q. Your argument is that the Canadian National Railways have been let out of this agreement and that if they suffer now they are only getting what is coming to them?—A. I would not like to put it even that way. I will put it this way: It is not an answer to say that because the Canadian Northern by building the lines under the conditions which they did pass because affected by the agreement the fact of the Government taking them over is a justification for a change of policy. Simply because the Government or some other corporation has taken them over, I cannot see the difference whether it is a corporation that takes them over or the Government.

By Hon. Mr. Manion:

Q. The difference is that if the C.P.R. were forced to live up to the Crowsnest pass agreement, and there was no other railway, the people of Canada would not lose one cent thereby. The C.P.R. would live up to their agreement whereas if the C.N.R. and the G.T.P. are forced to live up to their agreement and should lose ten million dollars it comes out of the pockets of the people of Canada, and that must have an effect upon judging the whole case?—A. Exactly. I have endeavoured to make my argument, in the first place, that it is—

By Mr. Macdonald:

Q. The difference is that somebody has to find the money.—A. Yes, but I say that it is no answer in logic to say—I have endeavoured to make the argument that I do not believe that with the wage reductions coming and with what I believe to be the loss in revenue from the Crowsnest pass agreement, the deficit on the Canadian National will be increased one cent, not one. I think that upon the figures they will be in a better position.

By Mr. Halbert:

Q. I have been trying for a long time to put a question, and I think that as a member of this Committee I am as much entitled to have it answered as you lawyers.

The CHAIRMAN: I think it would be better if members of the Committee would refrain from making reference to the fact that some other members are lawyers. I am not at all sensitive about the matter myself, but it is usually accompanied by an insinuation; at least some members think it is.

[Mr. Symington.]

By Mr. Halbert:

Q. I have been waiting for two days to ask this question. The question is this: The statement has been made by Mr. Hanna that if the Crowsnest pass agreement is reinstated we would lose approximately \$10,000,000. That, I understand, as based upon the number of tons carried at the time that statement was worked out, also on the wages that were paid and overhead expenses at that time. Now is it your opinion that with the increased tonnage that will eventually come with the decrease of wages the \$10,000,000 would be accounted for?—A. May I add to your reasons that they not only include what you say, but they include an assumption that all other rates are going back to what they were before the 40 per cent increase, which is, I say, an absolutely wrong assumption.

By Mr. Macdonald:

Q. That is not clear. You argued that, but it is not clear?—A. It is clear that the Railway Commission will fix the rates.

By Mr. Boys:

Q. Mr. Hanna's statement does not say that at all?—A. Yes.

Q. His statement was, taking the volume of business done in 1921 and assuming the same volume is done in 1922, making effective the Crowsnest pass rates would mean a loss of \$10,000,000?—A. No. Where is that?

Q. In No. 3 of the proceedings.—A. On page 69, No. 3, he says. (Reads):

“Exhibit D—Canadian National Railways—*re* statement of 1921 operating results under present estimated operating conditions”

and here is the point—

“and under rates in effect prior to September 13, 1920.”

By the Chairman:

Q. That would be the 1918 rate?—A. Yes, “including the reduction.”

By Mr. Boys:

Q. Go on and finish it.—A. (Reads)

“Including reduction in rates resulting by application of tariffs formerly effective under Crowsnest pass agreement.”

As I read that, he arrives at his conclusion by taking the Crowsnest pass reductions and assuming that all other rates in effect prior to September 13, 1920, would govern the rest of the traffic.

Q. If you mean to argue that the Crowsnest rate is the only thing that affects that, I agree with you.—A. I am pointing out that to reach their figure he infers a reduction upon all other commodities of I think quite as much as the Crowsnest.

By the Chairman:

Q. He did that because Mr. Carvell, or the Railway Board, said that on the 6th July that rate structure fell?—A. No, as a matter of fact, let me point out to you the absolute fallacy of that argument. If this contention is correct we cannot go back to the rates prior to September 1920, because those were the rates fixed under the War Measures Act which has long since gone by the board.

By Hon. Mr. Stewart:

Q. Where in your opinion do we stand?—A. My opinion is—and I do not think it can be controverted by anybody—the next situation will be that the Railway Commission will say “here are what the rates are to be.”

[Mr. Symington.]

By the Chairman:

Q. Immediately after the 6th July, or before?—A. Before, they must. They would probably say from my experience of the Crowsnest pass rates, there would be tariffs reduced with respect to the commodities covered by the Crowsnest agreement. Those would be new tariffs; the others would either stand as they were or be reduced five or ten per cent or whatever the Board think were just and reasonable under the operating conditions of the country.

By Mr. Vien:

Q. Do you agree that the rest of the commodities would be reduced less by the Board if the agreement is reinstated than if it were wiped out?—A. I do not know what the Board would do, I have not the slightest conception and I do not think that anybody else has.

Q. Is it not logical to assume that?—A. If the Board follow my argument which I suppose they won't—they may—they would reduce the grain rates a great deal more. I made my argument upon the elimination of the grain traffic which I have not gone into here because, as I stated in opening, this is not a rate case and I did not propose to argue a rate case, but I have made a proposition to the Board of Railway Commissioners, and whatever the Board may think, some people in the East thought it was a very very strong case that the grain earnings under present operation on the basis of cost of operation for that traffic and the returns of that traffic justify a bigger decrease than the Crowsnest pass reductions. I argued that and I argued it with facts which were placed there. True, the Board may not follow it but that is the argument.

By Mr. Boys:

Q. Have you a copy of your summary there giving these six or seven or eight reasons which you submitted?—A. I turned my copy over to the reporter.

Q. Can you restate the first reason because I would like to get it clearly in my mind. It dealt with the propriety of setting aside this agreement. Can you state again what that was?—A. I cannot remember it at present I must admit.

Q. Anyway what you say in number one, is to my mind one of the most important things we have to deal with; it is whether or not we should consider the abrogation or suspension of the Crowsnest pass agreement it being an agreement solemnly entered into. That is practically what it says, and you made reference to Mr. Beatty who argued in reference to this original agreement that it should not become effective.

By Mr. Boys:

Q. Here is what you state in your Summary No. 1: Canada made a contract with the C.P.R. and paid the construction in full and the benefits which may accrue to Canada cannot with propriety be taken away?—A. Yes, sir.

Q. Now you say that you think this case is parallel with that?—A. Yes.

Q. Pardon me. I have listened attentively to you and it may be distasteful, but I wish you would answer the questions.—A. Not at all.

Q. In that case the parties to the agreement were the Dominion of Canada and the C.P.R. One of the parties in that case did not want the contract varied, namely, the C.P.R. Supposing this Committee—I am not saying they will—came to that conclusion, but supposing they do come to a conclusion that having in view the interests of Canada as a whole, this Crowsnest pass agreement should be suspended, you have Canada on the one hand and the C.P.R. on the other, the only two parties, both desiring the cancellation of the contract. Do you think that is a parallel case?—A. No.

Q. Does not your first argument fall to the ground if Canada happens to agree with the C.P.R.?—A. What I pointed out in respect to that, that under a solemn agreement which has been paid in full—

[Mr. Symington.]

Q. I am with you in that, if either party to a solemn agreement objects—I won't argue with you two minutes on that. If both parties disagree to it, it should be upset?—A. I agree with you.

Q. That disposes of No. 1.—A. Perhaps you will recall my argument that under these conditions unless there is the gravest public policy. If the two parties, if the Parliament of Canada, say for reasons of great public policy, that that agreement should be changed and the C.P.R. say so, of course it should be changed. It goes without saying. A contract is a contract.

By Mr. Euler:

Q. You are trying to convince the Dominion of Canada through this Committee it should not be done.—A. What I say and I will repeat it shortly that it would only be an aggravation of the most serious public policy it would take away a settled railway policy. It is removing disparity against those people.

Q. There is one other question I want to ask you. I asked the same question of Mr. Lambert, as to whether or not he considered in the first place the prairie provinces were entitled to preferential treatment, and he did not answer it. I gather from your argument that you don't contend for a moment they are getting preferential treatment by the Crowsnest agreement?—A. I say we are asking for no preferential treatment. I am standing upon my rights.

Q. I want to give you credit for presenting your case very, very forcibly.—A. May I conclude? My answer, so that I won't be misunderstood is, it seems to me right, that the actual settler who came in under those rates, is entitled to some consideration, but as a Government or as a province, and so on, as far as I am concerned, I am not speaking for them in asking any special preferential treatment whatever.

Q. If that be so, and it is just a question of what should the rate structure of Canada be, to deal equitably, why should not the whole matter be dealt with by the Railway Board.—A. If the Parliament of Canada will say, to the Railway Board make the rate equitably as they should be, remove not only the western maxima the same as the eastern, I say it is not fair to send it back to the Railway Commission to fix rates where the east are protected by those two factors which keep eastern rates so far below western rates and to take away the sole and only protection which we have and that was the balancing of the protection incorporated as a matter of policy within the Dominion Railway Act.

Q. Cannot the Railway Commission give effect to it as well as we can, regarding the handling of grain and so forth?—A. They can consider it, but I stated what the argument was. The railways are common carriers. They have to run. The Board says they are not like a business that can shut down. They are common carriers and they have to run. The Act says you must fix reasonable rates and they interpret it to mean rates which give the railways cost of operation plus a certain percentage for dividends. Some of them suggest reserves. Mr. Carvell says he does not go that far and even says, and they have said so in their judgment, that the railways are not making too much money. He says we cannot put up eastern rates because we are held down by eastern competition and by water competition. They cannot get money anywhere else.

Q. What is to be the remedy? The remedy is that they must come down as far as you are concerned.—A. As far as I am concerned, they must come down.

Q. According to your own argument, if they come down there must be a loss to the railway company and somebody must pay it.—A. I don't concede a loss at all, but I would say this—

Q. Why can't they come down if there is no loss. You base your whole argument on the statement that they can not come down because there is no loss?—A. It is the position taken in any event by the railways before the Railway Board.

Q. I don't care about that. If they take it, it is impossible because they are an independent body.—A. The point with respect to that as I see it is this, that the

[Mr. Symington.]

railways say they are going to run to a deficit and as a matter of policy if you are considering that I am very firmly of the view that it is better to have a deficit to foster traffic than killing it, because you must realize as a matter of public policy—

Q. I think I realize that you are very definite. I think you ought to be equally able to take a firm stand on this question. If you say the railway companies can not stand it, it goes without saying that if the rate comes down in the West somebody must pay for it. If they can stand it they can down and nobody will be hurt.—A. I have presented my reasons for saying there will be no loss.

Q. Why can't you rely on that in going before the Railway Board?—A. Because I am not willing to go before the Railway Board if it is held that so long as traffic conditions are such that the eastern rates and small earnings on the eastern rates must be made out of our territory, unfortunately I am not willing to go before the Railway Board, though I am willing to go before them under the protection of the statute gives us, but I do object under the present conditions to being robbed of the one protection we have. That is the reason I am here. So far as the financial side was concerned, continuing what I was saying to you, granted there would be a loss, I am perfectly convinced so far as I am concerned that the loss, even though it may for a few months, be greater, that the gain will far outweigh the loss because if you continue these rates, just as sure as we are sitting here, if the Board cannot bring them down because of the Railway Act and if we continue these rates, traffic is being killed and all you have to do is to look at the results.

Q. What is there in the Railway Act to prevent bringing them down?—A. They say just and reasonable means the cost of operation plus a reasonable percentage of profit. They say we have to give that much to the railways.

By Mr. Vien:

Q. You don't agree with them?—A. No, I don't agree with that.

Q. The cost of operation plus a certain percentage of profit. You don't agree with that?—A. No. My argument before the Board is that just and reasonable means a question of range affected between the railway, the shipper and the producer, that you must be just and reasonable to all parties, possibly a rate giving remuneration which under other circumstances the railway might expect. I have gone so far as to argue that the C.P.R. should possibly under those conditions not be permitted to earn the amounts that they have been earning. I have had the temerity to suggest to the Committee that it would not be fatal if the C.P.R. had to do for a year or two what the Northern Pacific did for the first time in twenty-five years, reduce their dividends to four and one-half per cent and go into the market and borrow money cheaper than they did before. I hope the conditions in the country will be such—

By Mr. Macdonald:

Q. You are only reciting the arguments you have already made. In regard to the data you have given before us, I presume you have presented it to the Railway Commission in various forms?—A. In much wider forms, yes.

Q. What argument did the railway people make in answer to it?—A. The railways argued before the Board just what I told you.

Q. Granted it is all true, the railways must have a certain amount of money. I am discussing about the cost of operation in all these matters, as justifying the contention you put in in regard to the fact that the west contributes so much more with regard to the operation of all the railways. A different argument was made by the railway people than what you made, was there not?—A. I don't recall any other argument. In any event I don't rely on what counsel may argue or may not argue. I rely on the judgment.

Q. I want to know whether there is not another side and whether we should not hear it?—A. Certainly, but the Crowsnest Pass Act was before the Board. What are you particularly referring to?

[Mr. Symington.]

Q. I am speaking about the basis of your argument which you must have made before the Board several times to the effect that the West bears all the onus of the traffic in the country and the greater proportion of the finances that go to make up the railway profits. You have argued that before the Board?—A. I have read you their judgments.

Q. There has been an argument made against that by the railway companies, has there not? They urge the contrary of what you do?—A. Yes.

Q. There is another view which may be had. I want to know whether we ought not to ask the railway companies to come here and tell us about that. They urge another view.—A. If you mean as to the figures, there has never been any dispute as to the figures.

Q. You better wait until we get them here, until we know what they have to say. I don't know what their answer is.—A. I can tell you the answer.

Q. I just want to know whether there was another side, whether we should hear it. Mr. Hanna made a statement which in the estimation of this Committee, subject to the interpretation which you put upon it led us to believe up to this date that the additional deficit in the operation of the Canadian Northern Railways, if the Crowsnest pass once more comes into effect, would be \$10,000,000 annually.—A. I think he has so stated. I disagree with him.

Q. You would not agree with him as the head of the Canadian National and being the man in whom the operation of the railway is confined by the Government? Is not he a man who, better than yourself, ought to be best able to state as to whether that statement is correct or not, better than you or I. I don't pretend to compare myself with you as a rail expert or with Mr. Hanna as a railway man.—A. I should say that Mr. Hanna as head of the Canadian National Railways should be asked the question, certainly.

Q. And his judgment on that question is one that ought to be given credit to?—A. These things are prepared by a rate expert for him the same as they are for me.

Q. He is responsible, however, to the people of this country?—A. Quite so. He is responsible. Mr. Hanna has made the statement.

Q. Just let me see whether I have clear in my mind what you said, that for a number of years after the Crowsnest agreement was arrived at, lower rates than what were shown in that applied in the west?—A. From 1902 to 1917.

Q. From 1898 to 1902 the Crowsnest pass schedule was applied for three years?—A. 1901, probably.

Q. They had lower rates right along from 1917. It has only been since 1917 that they have been higher?—A. That is my understanding, yes.

By Mr. Boys:

Q. I think you stated you had only started to get the benefit of them when the special legislation came along?—A. Yes.

By Mr. Macdonald:

Q. And the period to which the higher rates applied was 1917?—A. No, I think September, 1918. I should say the fifteen per cent increase was not fully effected west of Q'Appelle before March 1st, 1918, but we got the benefit of that measure; the war measure of twenty-five per cent was brought in in September, 1918.

Q. What do you say about Mr. Hanna and Mr. Beatty proposing to bring into effect a reduction of rates on basic commodities which I assume would be fixed by the Board in the event of the Crowsnest agreement being suspended. That means the west and parts of the country would get the benefit of the decreased rates that way, would they not?—A. I say, Mr. Macdonald, with respect to that, that I have made my argument that the Crowsnest pass Act should stand. If, in the wisdom of this Committee the Crowsnest pass Act is not to stand, then please incorporate it in a statute as a statutory rate.

[Mr. Symington.]

By Mr. Vien:

Q. Why?—A. Because it is a substitution for a statutory rate.

Q. Would it not be wiser to leave the Board of Railway Commissioners absolutely untrammelled in fixing rates?—A. No; because they are not untrammelled in eastern territory.

Q. By reason of natural conditions?—A. Yes; by natural conditions which work a hardship. We are two widely differentiated territories.

By Mr. Boys:

Q. Does not the same position exist in the case of the farmer who has to haul his grain twenty miles as against the farmer that hauls his grain one mile to the market?—A. That is quite true.

Q. Can you disregard that feature of proximity to the market?—A. No; but I say that where the Railway Act was drawn up with a definite policy for interprovincial trade, where it was realized what conditions were, and where they put in that maximum in the west, I do not think it should be changed.

By the Chairman:

Q. Except for reasons of public policy?—A. Yes.

By Hon Mr. Stewart:

Q. Then so far as the West is concerned, you are willing that the matter should be decided and considered having regard to the cost of the service to the Canadian Pacific Railway?—A. Of the grain traffic.

Q. Yes?—A. Yes.

By the Chairman:

Q. Mr. Symington, the heads of the railways estimate a certain deficit if we revert to the Crowsnest pass agreement, and you know their figures?—A. Yes, I pointed out in your absence, sir, that even if they estimate that deficit, part of it comes—

Q. Whether they are right or wrong in the amount, they estimate it?—A. Yes.

Q. You say that in your opinion the roads will not actually make that deficit?—A. Again you were absent, sir, when I stated my reason. I gave to the Committee the report which I had as to the Chicago Labour Award.

Q. I know?—A. \$22,000,000.

Q. I do not want the reasons; but the railway people and yourself have different views?—A. We usually do, yes.

Q. The matter is subject to doubt, is it not?—A. Yes.

Q. What the actual results will be is open to doubt?—A. Yes.

Q. No man can foresee the degree to which railway wages and railway materials will fall in price?—A. It is purely a matter of estimate in which, as I stated, Mr. Beatty, though perfectly sincere, might be wrong, and in which, although I am perfectly sincere, I might be wrong.

Q. Nobody can visualize future economic conditions?—A. No.

Q. Would not the Board of Railway Commissioners be a better body to deal with this matter in its movement downward, in the downward movement of wages and materials, and make adjustments from time to time?—A. All I have asked this Committee to do is to let me go before the Board of Railway Commissioners under the same circumstances and conditions as I went before them when that scale was created, namely, with my maximum on the Crowsnest pass agreement intact.

By Mr. Boys:

Q. That is the whole question before this Committee now?—A. Of course it is. I am not trying to take away from the jurisdiction of the Board of Railway Commissioners at all.

[Mr. Symington.]

By Mr. Vien:

Q. But you would trammel them to a certain extent?—A. (No answer).

By Mr. Shaw:

Q. But I understand that if the East will allow its maximum to be taken away as well as the West has its maximum taken away, you are prepared to let the Board of Railway Commissioners settle everything?—A. Yes.

By Mr. Boys:

Q. There are no extremes in the East except natural conditions?—A. I cannot go before the Board and say "You are not bound by these things." They say they are, and that is all there is to it.

Q. They are natural conditions?—A. Yes; and it was to meet those natural conditions, apart from creating a maximum as high as any traffic can stand, that that protecting and evening maximum in the West was given. It has not turned out to be an evening maximum. I do not expect that the Crowsnest pass maximum will, in fact, be a protection to us for more than a year, because I believe we shall get back to normal conditions, and then, provided I get the retainer, I am going to hammer the Board for a reduction in Western rates. The fact is that it is only a temporary protection, and a temporary protection when we need it, and need it very, very badly; then we are entitled to it.

By Mr. Archambault:

Q. You are aware of the contents of General Order No. 308 of the Board of Railway Commissioners?—A. Yes.

Q. Part of that Order reads as follows:—

"As our jurisdiction for granting increases on certain lines of railway in Western Canada depends entirely upon the amendment to section 325 of the Railway Act, 1919, which expires on the 6th day of July, 1922, the rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provisions of that section. Therefore the rates herein provided for shall not extend beyond the first day of July, 1922."

Do not you infer from that, that if the Crowsnest pass agreement is revived, the schedule of rates of September 9, 1920, will become effective?—A. No. I pointed out, Mr. Archambault, that it is quite impossible for those rates to become effective.

By the Chairman:

Q. The Board of Railway Commissioners would have to get to work immediately?—A. Certainly. Those were War Measures Act rates in force at that date.

By Mr. Archambault:

Q. Would they become effective unless the Board passes another order?—A. No; those are out altogether. If there is any such position it would, in my view, mean going back to the 15 per cent increase order, which was an order made by the Board apart from the War Measures Act.

By the Chairman:

Q. March, 1918?—A. Yes. I submit that all that meant was that we could not continue these rates with respect to these commodities after that date, because our power elapses and herefore there will have to be a revision of these rates upon that date.

Mr. EULER: Mr. Chairman, Mr. Symington gave us figures showing, to the satisfaction of us all, that the earnings of the Canadian Pacific Railway in the West were quite disproportionately large as compared with those in the East.

[Mr. Symington.]

Q. I suppose you have made representations to the Commission for a reduction of the Western rates upon that ground?—A. Yes.

Q. Did the Commission accept any reasons for refusing to make a reduction, other than the fact that there is rail and water competition in Eastern Canada?—A. I would not like to give you a definite answer to that question, but so far as my recollection serves me, that is the crux of the whole matter.

Q. That was the sole reason?—A. I think so; I think that was the crux of the whole matter. This judgment covers 93 pages.

By Mr. Macdonald:

Q. There are a great many reasons given in that judgment; it is very long?—A. It is very long; but there are not very many reasons given.

By Mr. Euler:

Q. I daresay the railways gave other reasons, but I was wondering what the Commission, as an unprejudiced body, accepted?—A. As I read the crux of it, and what I have been met with ever since in rate cases, is this: They say, "The discrimination exists, but it is caused by water competition, potential and otherwise, and American rail competition; therefore it is a forced rate upon the railways and cannot be considered as a discriminatory rate." In my interpretation, that is the crux of the whole matter.

By the Chairman:

Q. I suppose the people in the West get some benefit from these Eastern rates?—A. Certainly.

Q. I mean on eastbound traffic? For instance, I have heard it said that the C.P.R. hauls the grain to St. John, N.B., at a loss. Very likely that is correct?—A. That is a matter of dispute. They haul it at a low rate, and do so unquestionably in order to meet the competition.

Q. If there was not that competition from Canadian Atlantic seaports in the winter season, might not the American rate be higher?—A. No.

Q. Might not the American rate go up if they did not have this Canadian competition?—A. I do not know what the situation is. That is an Interstate Commerce Commission matter. I will say, frankly, that so far as the rate from bay ports to St. John is concerned, I think American competition keeps down that rate.

Q. And the Canadian grain exporter gets some advantage?—A. Yes; the exporter, but not the farmer.

By Mr. Vien:

Q. And the farmer also?—A. No. The rates break at Fort William. All grain is bought, basis Fort William. The farmer gets, say at Calgary, the price at Fort William less 34 cents, which is the rate per hundred pounds from Calgary to Fort William. The Regina farmer gets it less 25 cents, and so on.

Q. But the price of wheat is fixed by the condition of the market?—A. The price of wheat is fixed in Liverpool, of course.

Q. Then the exporter, in fixing the price for his wheat, will take into account whatever he has to pay from the bay ports to the seaboard?—A. No; the exporter in this country buys largely on instructions from Liverpool.

By the Chairman:

Q. What is the freight rate on wheat from the Argentine to Liverpool and from Australia to Liverpool?—A. I cannot say.

The CHAIRMAN: Can you furnish that information, Mr. Crerar?

HON. MR. CRERAR: No; I do not know at the present time. They are usually high.

[Mr. Symington.]

The CHAIRMAN: Do any members of the Committee desire to ask Mr. Symington any further questions?

Witness is excused.

The CHAIRMAN: Mr. Finn, can you proceed on Friday?

Mr. FINN: We will, if we possibly can, Mr. Chairman.

Hon. Mr. CRERAR: Mr. Chairman, how many other witnesses are to be heard?

The CHAIRMAN: Mr. Finn wishes to speak on behalf of Nova Scotia, and another gentleman desires to speak on behalf of New Brunswick.

Hon. Mr. STEWART: There has been no decision arrived at as to the number of witnesses we are going to call, surely?

The CHAIRMAN: No.

Hon. Mr. STEWART: I think Mr. Symington's statement will bear a great deal of explanation. I think it will be necessary for us to go much further into it than we have, if we are to meet the arguments that have been put before us to-day.

The CHAIRMAN: The railway people are to be heard yet, it is understood.

Hon. Mr. STEWART: What about the Railway Commission? We can at least ask them to come.

The CHAIRMAN: I do not think it would be well to summon a body in a matter like this, in which that body will later deliver a judgment.

Hon. Mr. STEWART: But I am speaking of experts who are in the pay of the Government.

The CHAIRMAN: I am quite prepared to hear your argument, Mr. Stewart.

Hon. Mr. STEWART: I do not understand that the matter is an issue. I understand a special Committee is appointed to discuss this whole question. It seems to me that the strong case put up by Mr. Symington to-day will take a lot of explaining by men who know perhaps more than the members of the Committee.

Mr. MACDONALD: Are you speaking of the Board of Railway Commissioners?

Hon. Mr. STEWART: No, but in connection with the Board of Railway Commissioners there are experts who understand this whole rate question.

Hon. Mr. MANION: There is a chief traffic officer of that Board.

Hon. Mr. STEWART: I do not see at all how we are going to get anywhere in any other way.

The CHAIRMAN: They can give their side of the case, anyway.

Hon. Mr. STEWART: Precisely. Why should we not have all the evidence that is available? If there is any evidence that is dependable, it would be the evidence of the Board itself.

Mr. MACDONALD: I will move that the matter be referred to a special committee to consider bringing these witnesses.

Hon. Mr. STEWART: They are not members of any judicial board; they have made a study of these questions, and the experts of the Board of Railway Commissioners have been brought together at a very great expense to the country.

The CHAIRMAN: I have no doubt they would be willing to supply us with any facts they have, Mr. Stewart.

Hon. Mr. STEWART: They ought to come here and be subject to examination, the same as any other witnesses.

Mr. MACDONALD: Are you not on that Committee?

The CHAIRMAN: I will enquire from the chairman of the Board as to these experts.

Hon. Mr. STEWART: I do not think we ought to be governed by the opinion of the chairman of the Railway Board at all; it is a matter for this Committee.

Mr. MACDONALD: I move that a special committee be instructed to arrange it.

The CHAIRMAN: What have you in mind as to the facts?

Hon. Mr. STEWART: A special committee has been appointed, composed of yourself, Mr. Mitchell, Mr. Hudson and Sir Henry Drayton. Sir Henry is not acting, and there should be some one appointed to act in his place.

The CHAIRMAN: Let us meet to-morrow morning.

Mr. BOYS: I will make a motion along this line, that we have appear before us two experts from the Commission, and that the special committee decide who they shall be, and that those experts be requested to read the statement or the address made by Mr. Symington, having in view the putting of questions upon the various matters contained therein.

Hon. Mr. CRERAR: I would suggest that those experts be asked to come from the Railway Commission. They should be asked to read the other statement as well. I do not think the impression should go out that they are asked to rebut the statements of Mr. Symington until the railway representatives appear before the Committee.

Hon. Mr. STEWART: I do not agree with Mr. Boys' motion. He should explain to the Committee why he limits the number of experts to two. I think that is a matter which might well be left to the special committee, after they have decided. Two experts may be quite enough, they may be one too many. Possibly, and on the other hand the number may not be large enough. I think it might well be left in the first instance to report back to the full Committee as to what they decide, and the Committee can discuss it in the light of what this special committee has been able to learn, or to turn it down after making the report.

Mr. BOYS: I thought that we would have enough if we had two, but if not, we can easily get more; I thought the whole Committee should decide it.

Hon. Mr. STEWART: Let the special committee make a report first.

Mr. MACDONALD: I move an amendment that the matter be left to the Special Standing Committee appointed at the beginning of this hearing, for the purpose of getting rate experts attached to the Commission before this Committee.

The CHAIRMAN: That covers the same purpose, I think. Will Mr. Macdonald's motion carry?

(The motion was voted upon and declared carried.)

The CHAIRMAN: Suppose the Committee stands adjourned to meet upon the call of the chairman.

Mr. VIEN: At the call of the chair.

The CHAIRMAN: Alright.

The Committee adjourned at 10.45 p.m.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 10—MONDAY, JUNE 5, 1922

NAMES OF WITNESSES

Hon. R. E. Finn, representing Maritime Provinces.

Mr. G. G. Porter, representing Potato Interests.

Mr. Angus McLean, Pulp and Lumber.

Mr. Martel, M.P., Nova Scotia, Fruit Growers.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

(STATEMENT No. 25)
 GRAND TRUNK RAILWAY
 CANADIAN LINES

Effect of McAdoo and Chicago awards, less saving effected by Labour Board decision 147 effective July 16, 1921—based on actual number of hours worked in 1921 at rate of pay in 1917 affected by changes as above.

1917..	\$23,374,063 24
McAdoo Increase..	16,450,953 60
Chicago award..	6,040,154 26
<hr/>	
Actual payroll, 1921..	\$45,865,171 10

(STATEMENT No. 26)
 GRAND TRUNK RAILWAY
 CANADIAN LINES

Total operating revenue:—

1917..	\$48,457,935 70
1918..	61,588,769 45
1919..	68,744,358 54
1920..	81,442,647 32
1921..	76,858,032 27
Average number of employees in 1920 (peak year)..	32,260
Average number of employees in 1921..	29,127
<hr/>	
Reduction..	3,133

(STATEMENT No. 27)

RATES ON COAL SHOWING PERCENTAGE OF INCREASE FROM YEAR 1914 TO JANUARY, 1922

To	From Sydney, N.S.				Percent- age of Increase	From Point Tupper, N.S.				
	Cents per 100 lbs.		Dollars per Gross Ton			Cents per 100 lbs.		Dollars per Gross Ton		
	1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.	6½	11	1.51	2.46½	63	5½	9	1.17½	2.01½	71
Moncton, N.B.	8	13½	1.79	3.02½	70	6½	11½	1.45½	2.57½	77
St. John, N.B.	8½	14	1.90½	3.13½	65	7½	11½	1.62½	2.57½	58
Chatham, N.B.	9½	13½	2.13	3.02½	42	7½	11½	1.73½	2.57½	48
Bathurst, N.B.	11	14	2.46	3.13	27	9½	12½	2.07	2.80	35
Campbellton, N.B.	10½	15	2.35	3.36	43	9½	13½	2.07	3.02½	46
Matapedia, Que.	11½	15½	2.57½	3.47	36	9½	14	2.07	3.13½	51
River du Loup, P.Q.	11½	19	2.57½	4.25½	65	10	16½	2.24	3.69½	85
Levis, P.Q.	11½	20½	2.57½	4.59	78	10	19	2.24	4.25½	90
Montreal, P.Q.	12½	23½	2.80	5.26½	88	11	22	2.46½	4.93	100

To	From Stellarton, N.S.				Percent- age of Increase	From Springhill Jet., N.S.				
	Cents per 100 lbs.		Dollars per Gross Ton			Cents per 100 lbs.		Dollars per Gross Ton		
	1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.	3½	6½	0.73	1.40	92	3½	7½	0.78½	1.62½	107
Moncton, N.B.	4½	10	1.02	2.24	120	3½	6½	0.78½	1.40	79
St. John, N.B.	5½	9½	1.17½	2.13	81	3½	7½	0.73	1.73½	138
Chatham, N.B.	5½	9½	1.29	2.13	65	8½	8½	1.01	1.85	83
Bathurst, N.B.	7½	10½	1.62½	2.35	45	5	9	1.12	2.01½	80
Campbellton, N.B.	7½	11	1.62½	2.46½	52	6	10	1.34½	2.24	67
Matapedia, Que.	8	12	1.79	2.69	50	6	11	1.34	2.46½	84
River du Loup, P.Q.	8	14½	1.79	3.25	81	7½	14	1.68	3.13½	87
Levis, P.Q.	8	16	1.79	3.69½	106	8	14½	1.79	3.25	82
Montreal, P.Q.	9	20½	2.01½	4.59	128	No movement 1914				

SPECIAL COMMITTEE

(STATEMENT No. 28)

RATES ON COAL SHOWING PERCENTAGE OF INCREASE FROM 1914 TO 1922

To	From Sydney, N.S.							Per cent of Increase
	Miles	Rate per Net Ton		Rate per Gross Ton		Amount of Inc. per Ton		
		1914	1922	1914	1922	Net	Gross	
Halifax.....	289	1.35	2.20	1.51	2.46½	.85	.95½	63
Moncton.....	342	1.60	2.70	1.79	3.02½	1.10	1.23½	70
St. John.....	431	1.70	2.80	1.90½	3.13½	1.10	1.23	65
Chatham.....	426	1.90	2.70	2.13	3.02½	.80	.89½	42
Bathurst.....	465	2.20	2.80	2.46	3.13	.60	.67	27
Campbellton.....	527	2.10	3.00	2.35	3.36	.90	1.01	43
Matapedia.....	540	2.30	3.10	2.57½	3.47	.80	.89½	36
Riviere du Loup.....	716	2.30	3.80	2.57½	4.25½	1.50	1.78	65
Levis.....	830	2.30	4.10	2.57½	4.59	1.80	2.01½	78
Montreal.....	987	2.50	4.70	2.80	5.26½	2.20	2.46½	88

To	From Point Tupper, N.S.							Per cent of Increase
	Miles	Rate per Net Ton		Rate per Gross Ton		Amount of Inc. per Ton		
		1914	1922	1914	1922	Net	Gross	
Halifax.....	186	1.05	1.80	1.17½	2.01½	.75	.84	71
Moncton.....	240	1.30	2.30	1.45½	2.57½	1.00	1.12	77
St. John.....	329	1.45	2.30	1.62½	2.57½	.85	.95	58
Chatham.....	324	1.55	2.30	1.73½	2.57½	.75	.84	48
Bathurst.....	363	1.85	2.50	2.07	2.80	.65	.73	35
Campbellton.....	425	1.85	2.70	2.07	3.02½	.85	.95½	46
Matapedia.....	438	1.85	2.80	2.07	3.13½	.95	1.06½	51
Riviere du Loup.....	614	2.00	3.30	2.24	3.69½	1.30	1.45½	65
Levis.....	728	2.00	3.80	2.24	4.25½	1.80	1.01½	90
Montreal.....	885	2.20	4.40	2.46½	4.93	2.20	2.46½	100

RAILWAY TRANSPORTATION COSTS

345

(STATEMENT No. 28)—*Concluded*RATES ON COAL SHOWING PERCENTAGE OF INCREASE FROM 1914 TO 1922—*Concluded*

To	From Stellarton, N.S.							Per cent of Increase
	Miles	Rate per Net Ton		Rate per Gross Ton		Amount of Inc. per Ton.		
		1914	1922	1914	1922	Net	Gross	
Halifax.....	103	.65	1.25	.73	1.40	.60	.67	92
Moncton.....	157	.90	2.00	1.02	2.24	1.10	1.22	120
St. John.....	247	1.05	1.90	1.17½	2.13	.85	1.17	81
Chatham.....	241	1.15	1.90	1.29	2.13	.75	.84	65
Bathurst.....	280	1.45	2.10	1.62½	2.35	.65	.72½	45
Campbellton.....	343	1.45	2.20	1.62½	2.46½	.75	.84	52
Matapedia.....	356	1.60	2.40	1.79	2.69	.80	.90	50
Riviere du Loup.....	531	1.60	2.90	1.79	3.25	1.30	1.46	81
Levis.....	646	1.60	3.30	1.79	3.69½	1.70	1.90½	106½
Montreal.....	803	1.80	4.10	2.01½	4.59	2.30	2.58½	128

To	From Springhill Jct., N.S.							Per cent of Increase
	Miles	Rate per Net Ton		Rate per Gross Ton		Amount of Inc. per Ton		
		1914	1922	1914	1922	Net	Gross	
Halifax.....	122	.70	1.45	.78½	1.62½	.75	.84	107
Moncton.....	65	.70	1.25	.78½	1.40	.55	.61½	79
St. John.....	154	.65	1.55	.73	1.73½	.90	1.01½	138
Chatham.....	149	.90	1.65	1.01	1.85	.75	.84	83
Bathurst.....	188	1.00	1.80	1.12	2.01½	.80	.89½	80
Campbellton.....	250	1.20	2.00	1.34½	2.24	.80	.89½	67
Matapedia.....	263	1.20	2.20	1.34½	2.46½	1.00	1.12	84
Riviere du Loup.....	439	1.50	2.80	1.68	3.13½	1.30	1.45½	87
Levis.....	553	1.60	2.90	1.79	3.25	1.30	1.46	82
Montreal.....	710			No movement	1914			

Office of Freight Traffic Manager,
Canadian National Railway,
Toronto, May 27, 1922.

(STATEMENT No. 29)

RATES ON BARS IRON AND STEEL SHOWING PERCENTAGE OF INCREASE FROM 1914 TO JANUARY, 1922

To—	FROM SYDNEY, N.S.					FROM TRENTON N.S.					FROM ST. JOHN, N.B.				
	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase
	1914	1922	1914	1922		1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.	12	22	2.69	4.93	83	10	18	2.24	4.03	80	s 10 w 12	22	2.24 2.70	4.93 3.70	s 120 w 82
Moncton, N.B.	13	24	2.91	5.38	85	10	19½	2.24	4.37	95	9	16½	2.02	3.70	83
St. John, N.B.	14	25½	3.14	5.71	82	11	20½	2.46	4.59	87	12½	24½	2.80	5.49	96
Chatham, N.B.	16½	31½	3.70	7.06	91	14½	28	3.25	6.27	94	14½	28	3.25	6.27	93
Campbellton, N.B.	16½	31½	3.70	7.06	91	15½	30	3.47	6.72	94	15	31½	3.36	7.06	110
River du Loup, P.Q.	16	32	3.58	7.17	100	14½	30	3.25	6.72	107	15	31½	3.36	7.06	110
Levis, P.Q.	16	32	3.58	7.17	100	14½	30	3.25	6.72	107	15	31½	3.36	7.06	110
Montreal, P.Q.	19	36½	4.26	8.18	92	15½	30½	3.53	6.83	94	15	28	3.36	6.27	87
Ottawa, Ont.	24	45½	5.38	10.19	90	20	37½	4.48	8.40	88	24	45½	5.38	10.19	90
Toronto, Ont.	30½	58	6.83	12.99	90	26½	50	5.94	11.20	89	27½	52½	6.16	11.76	91
Hamilton, Ont.	31½	59½	7.06	13.33	89	27½	52½	6.16	11.76	91	28½	54	6.38	12.10	89
Sudbury, Ont.	42	79	9.41	17.70	88	38	72	8.51	16.13	89	39	72	8.74	16.13	85
Collingwood, Ont.	39	74	8.74	16.58	90	35	65½	7.84	14.67	87	36	68	8.06	15.23	89
North Bay, Ont.	37	70½	8.29	15.79	91	33	62	7.39	13.89	88	34	64½	7.62	14.45	90
Sault Ste. Marie, Ont.*	52	99½	11.65	22.29	91	50	91½	11.20	20.50	83	47	90	10.53	20.16	91
Port Arthur, Ont.*	52	109½	11.65	24.53	111	53	102½	11.87	22.96	93	52	100½	11.65	22.51	93
Fort William, Ont.*	52	109½	11.65	24.53	111	53	102½	11.87	22.96	93	52	102½	11.65	22.51	93

s—Summer rates. w—Winter rates. * 5th Class rates.

(STATEMENT No. 30)

RATES ON WIRE AND WIRE NAILS SHOWING PERCENTAGE OF INCREASE FROM 1914 TO JANUARY, 1922

To—	FROM SYDNEY, N.S.					FROM TRENTON N.S.					FROM ST. JOHN, N.B.				
	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase
	1914	1922	1914	1922		1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.....	12½	22½	2.80	5.04	80	10	18	2.24	4.03	80	12½	22½	2.80	5.04	80
Moncton, N.B.....	14	25	3.14	5.60	79	11	19½	2.46	4.37	77	9	16½	2.02	3.80	84
St. John, N.B.....	15½	30	3.47	6.72	94	12½	24½	2.80	5.49	96	12½	24½	2.80	5.49	96
Chatham, N.B.....	18	31½	4.03	7.06	75	17½	28	3.92	6.27	60	12½	24½	2.80	5.49	96
Campbellton, N.B.....	18	31½	4.03	7.06	75	17½	30	3.92	6.72	60	14½	28	3.21	6.27	93
River du Loup, P.Q.....	18	34½	4.03	7.73	92	17½	34	3.92	7.62	94	16½	31½	3.70	7.06	91
Levis, P.Q.....	18	34½	4.03	7.73	92	17½	34	3.92	7.62	94	16½	31½	3.70	7.06	91
Montreal, P.Q.....	21	40	4.70	8.96	91	17½	32	3.92	7.62	94	16½	31½	3.70	7.06	91
Ottawa, Ont.....	24	45½	5.38	10.19	90	20	37½	4.48	8.40	88	24	45½	5.38	10.19	90
Toronto, Ont.....	30½	58	6.83	12.99	90	26½	50	5.94	11.20	89	27½	52½	6.16	11.76	91
Hamilton, Ont.....	31½	59½	7.06	13.33	89	27½	52½	6.16	11.76	91	28½	54	6.38	12.10	89
Sudbury, Ont.....	42	79	9.41	17.70	88	38	72	8.51	16.13	89	39	72	8.74	16.13	85
Collingwood, Ont.....	39	74	8.74	16.58	90	35	65½	7.84	14.67	87	36	68	8.06	15.23	89
North Bay, Ont.....	37	70½	8.29	15.79	91	33	62	7.39	13.89	88	34	64½	7.62	14.45	90
Sault Ste. Marie, Ont.*	52	99½	11.65	22.29	91	50	91½	11.20	20.50	83	47	90	10.53	20.16	91
Port Arthur, Ont.*	57	109½	12.77	24.53	92	53	102½	11.87	22.96	93	52	100½	11.65	22.51	93
Fort William, Ont.*	57	109½	12.77	24.53	92	53	102½	11.87	22.96	93	52	100½	11.65	22.51	91

* 5th Class.

(STATEMENT No. 31)

RATES ON WIRE RODS SHOWING PERCENTAGE OF INCREASE FROM 1914 TO JANUARY, 1922

To—	FROM SYDNEY, N.S.					**FROM TRENTON N.S.					**FROM ST. JOHN, N.B.				
	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase
	1914	1922	1914	1922		1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.....	21	140	4.70	8.96	90	15	29	3.36	6.50	93	21	37½	4.70	8.40	79
Moncton, N.B.....	23	143	5.15	9.63	87	17	32	3.81	7.17	88	14	27½	3.14	6.16	96
St. John, N.B.....	8	12½	1.75	2.75	57	20	37½	4.48	8.40	88					
Chatham, N.B.....	26	149	10.98	10.98	88	20	37½	4.48	8.40	88	18	34½	4.03	7.73	92
Campbellton, N.B.....	28	154	6.27	12.10	93	23	43	5.11	9.63	87	21	40	4.70	8.96	90
River du Loup, P.Q.....	11½	20	2.50	4.50	80	No movement 1914					27	49	6.05	10.98	81
Levis, P.Q.....	11	20	2.50	4.50	80						27	49	6.05	10.98	81
Montreal, P.Q.....	13½	24	3.00	5.40	80	No movement 1914					27	52½	6.05	11.76	94
Ottawa, Ont.....	13½	26	3.06	5.80	90						28	55½	6.27	12.43	98
Toronto, Ont.....	16½	31½	3.71	7.00	89	11½	21½	2.56	4.90	91	32	63	7.17	14.11	97
Hamilton, Ont.....	17½	33	3.92	7.40	89	14½	27	3.21	6.10	90	33	65	7.39	14.56	97
Sudbury, Ont.....	27½	51½	6.11	11.50	88	15½	29	3.42	6.50	90	39	75½	8.74	16.91	94
Collingwood, Ont.....	21½	35½	4.80	8.00	67	25	47½	5.61	10.60	89	36	70½	8.06	15.79	96
North Bay, Ont.....	25	47½	5.61	10.60	89	19	36	4.30	8.10	88	34	66½	7.61	14.90	96
Sault Ste. Marie, Ont.....	31½	60	7.11	13.40	89	23	43½	5.11	9.70	90	47	80	10.53	20.16	91
Port Arthur, Ont.*.....	57	109½	12.77	24.53	92	29½	55½	6.61	12.40	88	52	100½	11.65	22.51	93
Fort William, Ont.*.....	57	109½	12.77	24.53	92	53	102½	11.87	22.96	93	52	100½	11.65	22.51	93

¹ Fifth Class Rate.

* Fifth Class Rate.

**No wire rods produced at Trenton, N.S. or St. John, N.B.

(STATEMENT No. 32)

RATES ON PIG IRON SHOWING PERCENTAGE OF INCREASE FROM 1914 TO JANUARY, 1922

To—	FROM SYDNEY, N.S.					**FROM TRENTON N.S.					**FROM ST. JOHN, N.B.				
	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase
	1914	1922	1914	1922		1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.....	08	15	1.80	3.40	89	10	18	2.24	4.04	80	14	27½	3.14	6.10	95
Moncton, N.B.....	09½	17	2.10	3.80	80	11	22	2.46	4.93	100	09	11	2.02	2.50	24
St. John, N.B.....	10	17½	2.20	4.00	81	13	27½	2.91	6.16	112					
Chatham, N.B.....	10	17½	2.20	4.00	81	13	28½	2.91	6.40	119	11	24	2.46	5.38	118
Campbellton, N.B.....	11	19½	2.45	4.40	90	15	29	3.36	6.50	93	14	27½	3.14	6.10	95
River du Loup, P.Q.....	11	20	2.50	4.50	80	19	34½	4.26	7.73	82	18	34½	4.03	7.73	92
Levis, P.Q.....	11	20	2.50	4.50	80	19	34½	4.26	7.73	82	18	34½	4.03	7.73	92
Montreal, P.Q.....	13½	24	3.00	5.40	80	19	36½	4.26	8.18	92	18	36½	4.03	8.18	103
Ottawa, Ont.....	13½	26	3.06	5.80	90	11½	21½	2.56	4.90	91	19	37½	4.26	8.40	97
Toronto, Ont.....	16½	31	3.71	7.00	89	14½	27	3.21	6.10	90	21	41½	4.70	9.30	98
Hamilton, Ont.....	17½	33	3.92	7.40	89	15½	29	3.42	6.50	90	22	43	4.93	9.63	95
Sudbury, Ont.....	27½	51½	6.11	11.50	88	25	47½	5.61	10.60	89	26	53	5.82	11.87	104
Collingwood, Ont.....	21½	35½	4.80	8.00	67	19	36	4.30	8.10	88	24	47	5.38	10.53	96
North Bay, Ont.....	25	47½	5.61	10.60	89	23	43½	5.11	9.70	90	22	45½	4.93	10.19	107
Sault Ste. Marie, Ont.....	31½	59½	7.11	13.40	89	29½	55½	6.61	12.40	88	33	65	7.39	14.56	97
Port Arthur, Ont.*.....	50	90	11.20	20.16	80	46	84½	10.30	18.93	84	45	83	10.08	18.59	84
Port William, Ont.*.....	50	90	11.20	20.16	80	46	84½	10.30	18.93	84	45	83	10.08	18.59	84

* 10th Class Rate.

**No pig iron produced at Trenton, N.S. or St. John, N.B.

In connection with rates on Billets and Blooms to Halifax, N.S., Moncton, Chatham and Campbellton, N.B.; while the rates of 1914 were published as open rates, there was actually no movement to those points locally and the rates were withdrawn leaving the regular fifth-class rates in effect. Should there develop a movement to these points for local delivery commodity rates would be provided corresponding with the adjustment to other destinations. To Halifax there is an export movement and a special rate of \$2.35 and \$1.85 per gross ton from Sydney and Trenton, N.S., respectively, has been published.

(STATEMENT No. 33)

RATES ON BILLETS AND BLOOMS SHOWING PERCENTAGE OF INCREASE FROM 1914 TO JANUARY, 1922

To—	FROM SYDNEY, N.S.					FROM TRENTON N.S.					†FROM ST. JOHN, N.B.				
	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase	Cents per 100 lbs.		Dollars per Gross Ton		Per-centage of Increase
	1914	1922	1914	1922		1914	1922	1914	1922		1914	1922	1914	1922	
Halifax, N.S.....	9	10½	2.00	‡2.35	17	*15	*29	3.36	‡1.85	93	21	37½	4.70	8.40	79
Moncton, N.B.....	9½	*43	2.10	*9.63	*358	*17	*32	3.81	7.17	88	14	27½	3.14	6.16	96
St. John, N.B.....	10	13	2.20	*2.90	31	*20	*37½	4.48	2.35	88					
Chatham, N.B.....	10	*49	2.20	*10.98	*899	*20	*37½	4.48	8.40	88	18	34½	4.03	7.73	92
Campbellton, N.B.....	11	*54	2.50	*12.10	*384	*23	*43	5.15	9.63	87	21	40	4.70	8.96	90
River du Loup, P.Q.....	11	20	2.50	4.50	80						27	49	6.05	10.98	81
Levis, P.Q.....	11	20	2.50	4.50	80	No movement 1914					27	49	5.05	10.98	81
Montreal, P.Q.....	13½	24	3.00	5.40	80						27	52½	6.05	11.76	94
Ottawa, Ont.....	13½	26	3.06	5.80	90	11½	21½	2.56	4.90	91	28	55½	6.27	12.43	98
Toronto, Ont.....	16½	31½	3.71	7.00	89	14½	27	3.21	6.10	90	32	63	7.17	14.11	97
Hamilton, Ont.....	17½	33	3.92	7.40	89	15½	29	3.42	6.50	90	33	65	7.39	14.56	97
Sudbury, Ont.....	27½	51½	6.11	11.50	88	25	47½	5.61	10.60	89	39	75½	8.74	16.91	94
Collingwood, Ont.....	21½	35½	4.80	8.00	67	19	36	4.30	8.10	88	36	70½	8.06	15.79	96
North Bay, Ont.....	25½	47½	5.61	10.60	89	23	43½	5.11	9.80	90	34	66½	7.61	14.90	96
Sault Ste. Marie, Ont.....	31½	59½	7.11	13.40	89	29½	55½	6.61	12.40	88	47	90	10.53	20.16	91
Port Arthur, Ont.*.....	57	109½	12.77	24.53	92	53	102½	11.87	22.96	93	52	100½	11.65	22.51	93
Fort William, Ont.*.....	57	109½	12.77	24.53	92	53	102½	11.87	22.96	93	52	100½	11.65	22.51	93

* Fifth Class Rates.

† None shipped from St. John.

‡ Export.

(See statement of Mr. Symington, page 310, No. 9, May 31, 1922.)

1907 to 1911 inclusive—

Operating revenue:

Eastern lines.....	\$160,000,000
Western lines.....	231,000,000

The West 44 per cent higher than the East.

Operating ratio:

East.....	72
West.....	60
Prairie West.....	56

(This means in the case of the East that it costs 72 cents to earn a dollar, and in the case of the West 60 cents to earn a dollar.)

Net earnings:

East.....	\$43,500,000
West.....	91,500,000

That is, the net earnings after deducting operating expenses were \$48,000,000 more in the West, or 110 per cent greater.

(Referred to by Mr. Symington on page 311, No. 9, May 31, 1922.)

The figures for the five years, 1912 to 1916, preceding that are as follows:

Operating revenues:

East.....	\$226,500,000
West.....	356,500,000

The West 57½ per cent higher than the East.

Operating ratio:

East.....	73.3
West.....	57
Prairie West.....	54.5

Net earnings:

East.....	\$ 60,000,000
West.....	152,500,000

The West net earnings were \$92,500,000 greater than the East, or 154 per cent greater West than East.

(See statement of Mr. Symington, page 312, No. 9, May 31, 1922.)

I want now to give you the figures from 1916 to 1920:

Operating revenues:

East.....	\$370,000,000
West.....	442,000,000

That is the West were \$72,000,000 more than the East or 20 per cent.

Operating ratio:

East.....	80.95
West.....	67.30

Net earnings:

East.....	\$ 70,500,000
West.....	144,500,000

That is, the West's net earnings were \$74,000,000 more than the East or 105 per cent higher.

(See statement of Mr. Symington, page 321, No. 9, May 31, 1922.)

NET RETURNS

The net returns from July to December, 1920, by months were as follows:

	Eastern Lines	Western Lines
July..	\$ 622,648 32	\$ 1,053,914 97
August..	855,037 63	1,644,095 20
September..	1,379,146 27	2,759,330 96
October..	1,458,898 16	6,588,289 05
November..	416,343 65	4,948,144 45
December..	139,756 44	3,828,951 68
	<u>\$4,871,830 47</u>	<u>\$20,822,726 31</u>

(See Statement of Mr. Symington, page 322, No. 9, May 31, 1922.)

CANADIAN PACIFIC RAILWAY LINES EAST AND WEST

NET EARNINGS AND OPERATING RATIOS, 1921

	LINES EAST		LINES WEST	
	Net Earnings	Operating Ratio	Net Earnings	Operating Ratio
		Per cent		Per cent
January.....	\$ 620,784.94	91.97	\$ 466,164.37	92.78
February.....	898,498.96	87.13	372,504.36	93.26
March.....	1,766,989.35	77.22	1,094,105.12	83.54
April.....	1,415,683.77	79.16	1,669,001.77	75.00
May.....	1,796,690.39	73.35	1,980,023.02	70.51
June.....	1,450,143.92	78.28	1,953,112.60	72.72
July.....	530,249.46	92.13	1,792,659.61	78.50
August.....	787,620.07	89.62	2,405,033.40	72.45
September.....	1,013,552.56	87.12	3,734,968.01	66.09
October.....	822,931.95	88.93	6,339,980.52	55.02
November.....	4,403.91	99.93	5,048,111.03	57.43
December.....	566,652.41	91.61	3,170,787.84	63.42
	<u>\$ 11,674,201.69</u>		<u>\$ 30,026,451.65</u>	

Lines East	First six months, 1921	Last six months, 1921	Full year 1921
Operating revenue.....	\$ 42,703,845.53	\$ 42,850,125.19	\$ 85,553,979.72
“ expense.....	34,755,063.20	39,124,714.83	73,879,778.03
“ ratio.....	81.15 per cent	91.30 per cent	86.35 per cent
Lines West			
Operating revenue.....	39,185,505.90	62,714,519.99	101,900,025.89
“ expense.....	31,650,594.66	40,222,979.58	71,873,574.21
“ ratio.....	80.77 per cent	64.13 per cent	70.54 per cent

Operating expenses to total operating revenue, all lines 79.78 per cent.

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

MONDAY, June 5th, 1922.

The Select Standing Committee appointed to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6th next, met at 11 o'clock, a.m., the Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: Gentlemen, I think we had better come to order. The Committee will be addressed this morning by Hon. R. E. Finn, representing the three Maritime Provinces.

Hon. R. E. FINN, K.C., called, sworn and examined.

Hon. Mr. FINN: Mr. Chairman and gentlemen: I am here before you this morning as a member of the Government of Nova Scotia, representing that Government as I am the Governments of New Brunswick and Prince Edward Island. I may say that in the preparation of our submissions, Mr. I. C. Rand, K.C., representing the New Brunswick Government, has been associated with me but was unable to remain to assist in the presentation.

The specific questions before the Committee, being as to the policy or impolicy of continuing a suspension of the Crowsnest pass agreement and the inquiry into its probable effect upon railways throughout the Dominion, as well as upon agricultural development and industry generally, has an interest for Maritime provincial conditions arising out of the general railway situation as detailed by representatives of the railways. If it were practicable at the present time to give effect to the rate reductions provided for by the Crowsnest pass agreement, and at the same time to extend to the rest of the Dominion equivalent rate reductions over all the railways throughout the country, there would be no special interests in the suspension or their re-instatement of the agreement; but the situation as represented by the representatives of the railways is such as would lead to the conclusion that if the specific rate reductions called for by the agreement are made effective, the resulting revenues to the railway will be so reduced as to render it impossible to extend any relief by way of reduction of rates to any other sections of the country or to any commodities not covered by the agreement. On this assumption, therefore, that the unqualified restoration of the Crowsnest pass agreement will confine all rate reductions at the present time within the terms of that agreement and that the agreed reductions in freight rate exaction, which the railways of this country are prepared now to give, would be applied solely within the operation of that agreement, we desire to bring to the attention of the Committee the economic conditions obtaining in those provinces and the extreme urgency of the demand therein for relief from the present rate penalties. The alternatives before the Committee are embodied in the suggestions made to the Committee by the president of the Canadian Pacific Railway either to give full effect to the Crowsnest pass agreement or to continue the further suspension of this agreement, or to spread a reduction in rates over basic commodities throughout the Dominion.

Before dealing with the specific arguments raised on the part of the western provinces in support of the first of these alternatives, we desire to place before the Committee a statement of the economic and particularly the industrial conditions existing in the Maritime Provinces. As you probably know, the chief industrial activities in these provinces are coal, lumber, pulp, iron and steel, sugar refining,

[Hon. R. E. Finn.]

fish, agriculture and their products. These have been established and carried on during the past forty years under a geographical handicap. It is necessary for the Committee to recognize the fact that these provinces are geographically removed from the immediate neighbourhood of their sister provinces, and that by the Act of Confederation they had the natural currents of their trade and commerce violently changed; but since that time and particularly within the past twenty-five or thirty years there has been a consistent and persistent endeavour upon the part of industry in these provinces to broaden the avenues of trade and commercial communication with the rest of the Dominion. They start, however, with the inescapable handicap, and this fact operates permanently to lower the financial level of their operations. Nevertheless they have, through hard efforts and patriotic endeavour attempted to establish in those provinces an industrial life suitable thereto and communicating with Canadian centres, and have at no time attempted in any way to influence a policy of this country directed to their own local advantages. By the tariff to the west of the provinces they are cut off effectually from their natural commercial markets of exchange and by their entering into Confederation they have surrendered their right by themselves to remove that tariff and along the new avenues of Canadian relations they have sought and do they now seek to promote their industrial and commercial life.

By reason of their geographical distance from the central and western portions of the Dominion they are peculiarly sensitive to the operations of transportation costs. Because of their limited home market they are unable to develop that capacity for production which would strengthen them in the removed competitive fields. In the provinces of Ontario and Quebec, a manufacturer establishing his plant in any of the larger centres, places himself in the midst of an immense consuming public, with low distributing cost, justifying production on a large scale. That is not present in the Maritime Provinces and it simply adds to the further disadvantage of distance which we have already mentioned. It will be seen, therefore, that industry built up in the Maritime Provinces, in comparison with its competitors in the central provinces, is peculiarly sensitive to transportation costs from the commencement. This would be so in the condition of prosperous industry and it is greatly intensified, of course, in days such as the present when industry there is struggling under great difficulties. If it is desirable to demonstrate the deplorable situation existing in these provinces, it is sufficient to mention the lumber and pulp industry. It has been urged by the western representatives that the grain alone of the basic industries in this country, had suffered a precipitate reduction to pre-war levels, but we know and the public generally knows, that the deflation in the lumber and pulp industry and the financial havoc worked through the complete loss of the European and American markets, have rendered the condition of the lumbering interests in the Maritime Provinces as desperate as that of any industrial or commercial interest in Canada.

We might also mention the condition of the coal mining industry, chiefly in my own province of Nova Scotia. These mines to-day are working on an average of two or three days a week, and the rates under which coal is now being carried on the railroads are prohibiting its sale to points west of Campbellton in New Brunswick. We might also bring to your attention the fact that the large steel industry at Sydney in the county of Cape Breton, is now and has been for some time past, completely closed, throwing out of employment a greater part of the population, a condition due, in large part, to the prevailing transportation charges. Before 1914 the mines of Nova Scotia shipped over two million tons of coal annually by water and rail to the province of Quebec. Now through the very high freight rates the shipments have been reduced to a minimum. Let me bring this home to the Committee, Mr. Chairman, by quoting some of the rates.

RATES ON COAL SHOWING PERCENTAGE OF INCREASE FROM YEAR 1914 TO JANUARY, 1922

From Sydney to Levis, 1914, per gross ton, \$2.57½.

From Sydney to Levis, 1922, per gross ton, \$4.59 or 78 per cent increase.

From Sydney to Montreal, 1914, per gross ton, \$2.80.

From Sydney to Montreal, 1922, per gross ton, \$5.62½ or 88 per cent increase.

From Stellarton to Levis, 1914, per gross ton, \$1.79.

From Stellarton to Levis, 1922, per gross ton, \$3.69½ or 106 per cent increase.

From Stellarton to Montreal, 1914, per gross ton, \$2.01½.

From Stellarton to Montreal, 1922, per gross ton, \$4.59 or 128 per cent increase.

From these figures it will be seen at a glance that the duty of 53 per cent on American coal is not only absolutely nullified but the American operator in the Quebec market has a preference over the Nova Scotia operator of \$2.00 per ton.

The prairie representatives say that owing to the high freight rates they cannot make money on grain. The answer is, nor can the miner make money out of coal.

Now as to the rates on bar iron and steel, showing percentage increases from 1914 to January, 1922;

From Sydney to River du Loup, 1914, per gross ton, \$3.58.

From Sydney to River du Loup, 1922, per gross ton, \$7.17, or 100 per cent increase.

From Sydney to Levis, 1914, per gross ton, \$3.58.

From Sydney to Levis, 1922, per gross ton, \$7.17, or 100 per cent increase.

From Trenton, N.S., to River du Loup, 1914, per gross ton, \$3.25.

From Trenton, N.S., to River du Loup, 1922, per gross ton, \$6.72 or 107 per cent increase.

From Trenton, N.S., to Levis, 1914, per gross ton, \$3.25.

From Trenton, N.S., to Levis, 1922, per gross ton, \$6.72, or 107 per cent increase.

So that any alleged protection from the tariff is destroyed. In this case the steel worker meets the grain grower and regrets. There is further the fact, ominous for us, that within the past year two substantial industries have been dismantled in the Maritime Provinces and have been re-established in the city of Montreal. These are the Robb Engineering Company, manufacturers of engines and other machinery, formerly located at Amherst, and the New Brunswick Wire Nail Company, formerly established at St. John. In both of these cases freight rates played a part in the determining of their removal, and in the latter case, the handicap due to freight charges was virtually the deciding factor in the removal. These conditions demonstrate beyond doubt that industry in the Maritime Provinces is hanging on by its finger tips, and that any further encroachment upon its hold will result in precipitating it to the bottom. The object, therefore, of our appeal to this Committee to do nothing that will delay longer the relief of our industry from present excessive transportation burdens, is to help to maintain industrial life already established in the Maritime Provinces, not that of promoting further life there of that character. It should be remembered that the condition of the entrance into Confederation of the Maritime Provinces was the construction of the Intercolonial Railway. Every one familiar with the Parliamentary debates and public utterances of pre-Confederation days is aware that the insistent demand on the part of the Maritime Provinces for railway connection with the upper provinces was for some time a stumbling block to an agreement on the proposal of Confederation, and that it was only after the strenuous advocacy of George Brown and other Upper Canada leaders, of the acceptance of the terms of the Maritime Provinces that agreement on this basis was made possible.

[Hon. R. E. Finn.]

Let me treat this subject historically for a moment. The Hon. George Brown in 1865, referring to the threatened abolition of the reciprocity treaty said:—

“I am in favour of this union because it will give us a seaboard at all seasons of the year, and should the United States carry out their threat of abolishing the bonding system, by which our merchandise passes through their territory, it will still be more embarrassing. The Intercolonial Railway will give us at all times access to the seaboard through the British territory. As a commercial enterprise the Intercolonial Railway has not, I apprehend, any commercial merit; as a work of defence it has many advocates, but if the union of the provinces goes on, it is an absolute necessity and as the price of union, were there no arguments, I would heartily go for it.”

Sir George E. Cartier, of the Legislative Assembly of Canada, in 1865, said:—

“He had stated before an audience in the Maritime Provinces, that as far as territory, population and wealth were concerned, Canada was stronger than any of the other provinces, but at the same time was wanting in one element necessary to national greatness, the Maritime one, and that owing to the large travel and commerce of Canada, extensive communication with Great Britain at all seasons of the year, was absolutely necessary. Canada having two or three elements of national greatness, territory and population, wanted the Maritime element; and as he said—the Lower Provinces had this element, and a seaboard, but not a big country for large population, which Canada possessed, and for mutual benefit and prosperity of all the provinces, all these elements ought to be united.”

There is a statement by Sir George E. Cartier that Canada lacked the necessary “*element of national greatness.*” She had wealth, territory and population, but she lacked the Atlantic seaboard. She lacked an eastern gateway for the great province of Ontario, Quebec and the west, so it grew and developed. The “Eastern Gateway” was the panacea for those tremendous disadvantages and from central Canada’s standpoint the Maritimes must, for their necessity, be a part of the Confederation scheme. That being so, giving up as they did their splendid trade relation with the New England States, where the freight was water borne and cheaply carried, they looked for and expected a market equally as good in central Canada and the west; otherwise they must industrially and agrarianly languish and die. This was a condition they could not receive lightly nor accept, when the responsibility was with them to protect the interests of their Maritime Provinces. They say that that “*element of national greatness,*” namely the Atlantic seaboard, with the all year round ports of Halifax and St. John, was worth more to this great Confederation than the Intercolonial Railway has cost from the time it was built, including the operation and the deficits that have occurred from time to time. Section 145 of the British North America Act, with which doubtless you are all familiar, is the governing section. The necessary implications from this undertaking was that there should be promoted between the various provinces currents of trade and commerce at accommodating freight rates, that inter-Canadian exchanges should take the place of foreign exchanges hereinbefore alluded to; and it was beyond any question in the mind and contemplation of all parties to Confederation, that the line of railway binding the provinces together physically, would, in the course of years, result in their being bound together commercially through the flow of trade thereby set in motion. In pursuance of this understanding and contemplation, the Intercolonial Railway was constructed in 1876 and there was then made effective on that railway, rates both through and local, to accommodate the object of its establishment. At that time the competing communication between the provinces of Canada and the Maritime Provinces was water transportation, both by way of the St. Lawrence and by way of Portland and Boston, and thence to Montreal and Toronto by rail. To meet the competition by these rail and water routes over an

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all-Canadian line, rates were established by the Canadian Government in conjunction with the Grand Trunk Railway covering shipments originating west of Montreal for shipment to the Maritime Provinces and vice versa, which were made by adding to the local rates beyond Montreal certain arbitrary amounts called differentials. These differentials applied to all class rates and ranged from 20 cents for 100 pounds first class, to 10 cents for 100 pounds fifth class, with lower scaling to the remaining classes. These differentials became effective in 1876 and continued unchanged until 1916. Since that time they have been increased and now stand at increases of over 100 per cent and to-day are applicable to all business passing both east and west of Montreal to and from the Maritime Provinces. Upon the construction of the Canadian Pacific Railway to St. John in the eighties, the same basis of rate making was adopted and the same rates applied with no change until 1916. It will thus be seen that for 40 years development in the Maritime Provinces with regard to through trade, proceeded upon the basis of constant differentials with competitors in the larger centres of Montreal and Toronto and this constant differential became the measure of the absorption necessary to be made by Maritime industries in their business both to Quebec, Ontario and the western provinces. We give below as an illustration, a statement showing in detail the effect of the rate increases during the past six years upon manufacturers of stoves in New Brunswick. Owing to a restricted local market and the handicap of distance, the iron manufacturers of Nova Scotia, have not, during the past ten years, been making the foundry iron necessary for the manufacture of stoves, and it has been necessary therefore for these long established industries, which have been operating during the past 35 or 40 years, to obtain their raw material from other sources, and during these years and to-day, they are importing their pig and other iron from Hamilton, Ontario. By efficient management and a willingness to operate on a lower margin of profit than their Canadian competitors, these manufacturers have for many years shipped largely to the western market, both to the prairie provinces and the province of British Columbia. In the following statement will be found a computation of the handicap under which the companies were operating in 1914, as compared with their Ontario competitors and a similar computation for the year 1921. These figures show the striking disadvantage under which they have been made and are now labouring.

ENTERPRISE FOUNDRY CO., LTD.

COMPARISON OF FREIGHT RATES ON STOVES AND FURNACES FROM SACKVILLE OR TORONTO TO WESTERN CANADA POINTS—SHOWING THE INCREASE IN DIFFERENTIALS MADE DURING THE PAST FEW YEARS.

In effect 1914

PRAIRIE POINTS

In effect Jan. 1922

To	From Sackville	From Toronto	Excess or differential Sackville over Toronto	To	From Sackville	From Toronto	Excess or differential Sackville over Toronto	Increase between 1914 and 1921 in differential
Winnipeg.....	0.80	0.69	0.11	Winnipeg.....	1.36	1.14	0.22	0.11
Saskatchewan....	1.16	1.05	0.11	Saskatchewan....	1.90	1.68	0.22	0.11
Calgary and Edmonton.....	1.37	1.26	0.11	Calgary and Edmonton.....	2.22	2.00	0.22	0.11
Vancouver and Victoria.....	1.45	1.40	0.05	Vancouver and Victoria.....	2.45½	2.39½	0.06	0.01

I might say, Mr. Chairman, that that six cents—the one cent increase over 1914 and 1922 is due to the fact of water competition through the Panama Canal.

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1914—FREIGHT RATES ON MATERIALS

Coke Rates—

Detroit to Sackville..	\$6 20 per ton
Detroit to Toronto..	1 60 per ton
	<hr/>
	\$4 60 differential per ton

Pig Rates—

Hamilton to Sackville..	\$4 20 per ton
Hamilton to Toronto..	90 per ton
	<hr/>
	\$3 30 differential per ton

Steel Sheets—

Hamilton to Sackville..	\$ 34 per 100 pounds
Hamilton to Toronto..	8½ per 100 pounds
	<hr/>
	25½ differential per 100 lbs., equals \$5.10 differential per ton

1914 FREIGHT RATES ON MATERIALS AS THEY AFFECTED WESTERN SHIPMENTS

Coke at 4 tons per outgoing car at \$4.60 differential..	\$18 40
Pig at 9 tons per outgoing car at \$3.30 differential..	29 70
Steel sheets at 36 tons per outgoing car at \$5.10 differential..	18 36
	<hr/>
Total per car..	\$66 46

Number of cars of stoves and furnaces shipped from Sackville to the Prairies and British Columbia..	88
Total extra freight paid on account of incoming pig iron, coke, steel sheets, used in western shipments, \$66.48 x 88..	\$5,848 48

1914 STOVE FREIGHT RATES AS THEY AFFECTED WESTERN SHIPMENTS

Prairie Points—

Differential Sackville over Toronto on Prairie shipment, 11 cents per 100 pounds.
 Number of cars shipped to Prairie points from Sackville, 37.
 Average weight, 30,000 pounds.
 Extra freight paid by Sackville shippers over Toronto on a car, \$33.
 And on the 37 cars is \$1,221.

B. C. Points—

Differential Sackville over Toronto on B.C. shipment, 5 cents per 100 pounds.
 Number of cars shipped to B.C. from Sackville, 51.
 Average weight, 30,000 pounds.
 Extra freight paid by Sackville shippers over Toronto on a car, \$15.
 And on the 51 cars is \$756.

PRESENT FREIGHT RATES ON MATERIALS

Coke Rates—

Detroit to Sackville..	\$7 80 per ton
Detroit to Toronto..	2 00 per ton
	<hr/>
	\$5 80 differential

Pig Rates—

Hamilton to Sackville..	\$7 50 per ton
Hamilton to Toronto..	1 62½ per ton
	<hr/>
	\$5 87½ differential

Steel Sheets—

Hamilton to Sackville..	\$ 58 per 100 lbs.
Hamilton to Toronto..	15½ per 100 lbs.
	<hr/>
	42½ per 100 lbs.
	\$8 50 per ton differential

PRESENT FREIGHT RATES ON MATERIALS AS THEY AFFECT WESTERN SHIPMENTS

Coke at 4 tons per outgoing cars at \$5.80 differential..	\$ 23 20
Pig at 9 tons per outgoing cars at \$5.87½ differential..	52 87
Steel sheets, 36 tons per outgoing cars at \$8.50 differential..	30 00
	<hr/>
	\$106 67

Number of cars of stoves and furnaces shipped from Sackville to the Prairies and British Columbia..	88
Total extra freight paid on account of incoming pig iron, coke, steel sheets used in western shipments, \$106.67 x 88..	\$9,386 96

PRESENT STOVE FREIGHT RATES AS THEY AFFECT WESTERN SHIPMENTS

Prairie Points—

Differential Sackville over Toronto on Prairie shipment, 22 cents per 100 pounds.
 Number of cars shipped to Prairie points from Sackville, 37.
 Average weight, 30,000 pounds.
 Extra freight paid by Sackville shippers over Toronto on a car, \$66.
 And on the 37 cars is \$2,442.

B. C. Points—

Differential Sackville over Toronto on B.C. shipment, 36 cents per 100 pounds.
 Number of cars shipped to B.C. from Sackville, 51.
 Average weight, 30,000 pounds.
 Extra freight paid by Sackville shipper over Toronto on a car, \$19.50.
 And on the 51 cars is \$994.50.

COMPARISON 1914 BASIS WITH PRESENT BASIS

	\$ 9,386 96
	<hr/>
	5,848 48
Present rate excess over 1914 on pig iron, coke, sheet steel..	\$ 3,538 48
	<hr/>
	2,442 00
	<hr/>
	1,221 00
Present rate excess over 1914 on shipments to prairies.	\$ 1,221 00
	<hr/>
	994 50
	<hr/>
	765 00
Present rate excess over 1914 on shipments to B.C.	\$ 229 45
	<hr/>
Total excess 1921 over 1914..	\$ 4,988 93
Handicap in 1914..	\$ 7,834 48
Handicap in 1921..	12,723 31
	<hr/>
Excess handicap in 1921..	\$ 4,988 93

To give another illustration of the disadvantages the Maritime industries labour under we cite the case of the Maritime refineries, namely, the Acadia at Dartmouth and the Atlantic, at St. John.

For forty years the arbitraries were 10 cents over Montreal to all points west of Montreal. To-day these refineries are paying 20½ cents over Montreal to Winnipeg, 21½ cents over to Toronto, 23½ cents over to Kingston, 25 cents over to Brockville, 26½ cents over to Ottawa. In all cases an increase in the arbitrary of over 100 per cent, as well as the rate of 27 cents higher to Montreal than the rate published on the raw commodity to Montreal (25½ cents), an advantage of over 100 per cent. To overcome this latter handicap the Maritime refineries asked the steamship companies for a water rate from Dartmouth and St. John to Montreal on refined sugar. They quoted a rate of 30 cents per 100 pounds which still left the refineries of Central Canada with an advantage of 22½ cents per 100 pounds. The railways—the C. P. R. and the I. C. R.—to meet this competition, reduced their rate to 30 cents, but the moment navigation closed the old rate of 52½ cents was put into effect. West of Montreal there are two transportation services, known as “All Rail” and “Lake and Rail”. The differential between the two is six cents per 100 pounds and is constant, not being disturbed in the winter months when navigation ceases on the Lakes. Our submission is that the same rate basis between rail competition and water competition be maintained and the relationship established during open navigation in the St. Lawrence should be continued and be effective during the winter months. This has been a discrimination of which the Maritime refiners rightfully complain.

Take in Prince Edward Island—one of the largest agricultural industries is that of growing potatoes. For several seasons the potatoes have rotted in the cellar due to the fact that the railway rates were higher than the prices they could obtain for their produce at Sydney, Halifax or Montreal. The following schedule will prove itself as to the enormous increases since October 15, 1917.

RATES ON POTATOES, CARLOADS FROM CHARLOTTETOWN, P.E.I.

To	Effective Dates					Present Rates	Increase
	Oct. 15, 1917	May 6, 1918	Aug. 12, 1918	Sept. 13, 1920			
	Rates in cents per 100 pounds						
Sydney	21	23	29	40½	36½	75%	
Halifax	18	19½	24½	34½	31	70%	
Montreal	21	25½	32	45	40	99%	

Mr. Duff:

Q. Is that per bushel or per 100 pounds?—A. Per 100 pounds.

We submit also statement showing:

(a) Rates on various commodities in which we are interested showing the various increases made to date, and

(b) the successive increases of the differentials to those now in effect.

The Committee should remember that these increased differentials have added to them the regular increased rates from Montreal to the various western destinations and that the Maritime manufacturers have as their actual measure of rate handicap, the differentials shown. From what we have stated it will be seen that both local business and through business in the Maritime Provinces is at a low ebb; that it is vitally dependent upon accommodating freight rates; and that the present level, if continued, can only result in a permanent impairment of the commercial and economic life in these provinces. This shows, therefore, that while it may be true that western agricultural conditions are very bad, they are bad along with a great deal of company in the rest of the country, and that the interests in the West are no nearer exhaustion than are the interests at least of the Maritime Provinces. From this point of view, therefore, it would appear to be the normal thing that rate

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increases which have advanced step by step by way of percentage increases over the whole of the railway lines in the Dominion, should at least recede in a similar manner.

The objection to this mode of reduction as formulated by Mr. Symington, seems to be to the following effect:

There is admittedly a disparity, he says, between the general freight rate level in Western Canada as compared with the rate level in the East; the reinstatement of the Crowsnest pass agreement will effect certain reductions, chiefly operative to the advantage of the West; this reduction will go to some extent towards removing the disparity; it ought not, therefore, to be interfered with and its operation ought not to be restrained. Before suggesting an answer to this argument, it is just as well to point out that the disparity between the East and the West freight rate levels is largely confined to class rates and not to commodity rates of which those on grain are the most important to the West. It is difficult to compare grain rates in the East with those of the West but so far as the comparison is possible, it shows that the rates on this commodity are lower in the West than in the East. In the judgment of the chief commissioner in the rate case delivered on the 13th of September, 1920, he makes the following remark:

"It is somewhat difficult to form a comparison of the grain rates between the two divisions because practically all the grain rates in the West are based upon Fort William and Port Arthur, and we have no such distances in the East as we have in the West, but, generally speaking, the following table affords an indication, taking Windsor, Ontario, as a starting point producing the longest eastern haul of Ontario grown grain.

Windsor to Montreal..	555 miles, 35½ cents.
Brandon to Fort William..	553 miles, 17½ "
Windsor to Lennoxville..	657 miles, 32 "
Wapella, Sask., to Fort William..	655 miles, 21 "
Windsor, Ont., to St. John, N.S...	1,033 miles, 36½ "
Hatton, Sask., to Fort William..	1,032 miles, 28 "

It must be remembered also that any disparity between the two sections was reduced during the percentage increases of the war period, first in respect of the 15 per cent increase of March, 1918, which was later absorbed by the 25 per cent increase of August, 1918, and in the next place, by the difference between the rate increase in western Canada in September, 1920, namely, 35 per cent, and that in the east, namely, 40 per cent. The argument on behalf of the west is that a disparity which has been recognized for the past 18 or 20 years and which has been justified by various judgments of the Board of Railway Commissioners during those years, as being based upon legitimate economic and traffic considerations, and which during the period of greatest industrial and commercial prosperity and strength the Railway Commission declined to remove, should at this particular time, when industry and commercial conditions generally throughout eastern Canada are at their lowest ebb, and when they are endeavouring to emerge from the financial conditions into which they were thrown by the re-action from the war, be the subject of a legislative re-adjustment and that our industries in their extremity, should be told to hang on a bit longer by their finger-tips in order that such adjustments may be made, which the Railway Tribunal of this country declined to make when those industries might have been in a condition to meet them. The answer to this argument is obvious—that now is the time to permit our industrial life to recuperate and not to experiment with new rate equalizations.

It is admitted by the western representatives that given proper conditions, such an agreement as this in question, may be modified by the parties to it, and it is admitted also that the conditions under which the suspension was first made and

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later continued, were proper thereto. The answer to the claim that no further suspension be made is that those justifying conditions are with us yet and until they have passed and normal factors have again been established the original justification for suspension remains. It perhaps may not be improper to suggest that on the rates with which the West is immediately concerned, those on grain, is not sufficient in order to determine the actual condition of the western farmer, to consider only the rate which is paid by him to Ft. William. Admittedly the great bulk of this grain finds its market in Liverpool and the price to the farmer is the price at that port less the transportation charges in carrying the grain thereto. The rate, therefore, which in the aggregate is paid in respect of his grain from his country elevator to the Atlantic seaboard, really furnishes the measure of his treatment by Canadian transportation lines. The lower rate east of Fort William enures to his benefit and not, in fact, to the benefit of anybody in the east, and a mere artificial division of that seaboard rate with reference to the port of storage at Fort William cannot make his condition harder by showing a higher rate west of Fort William and a lower rate east of Fort William than an equalized rate throughout.

On the assumption, therefore, upon this submission is based, we submit first that the conditions which warranted the suspension of the Crowsnest pass agreement in the first instance, and the subsequent continuance of the suspension of the Railway Act have not yet passed away, and that there remains a clear justification for the further continuance of the suspension. In the next place, the economic conditions of the Maritime Provinces are such as to demand an immediate relief from the transportation charges which are at present effective in that district, and as between the east and the west it cannot be said that the conditions of the one are any worse than those of the other.

Finally we submit emphatically that the chief contentions advanced on the part of the West, that now is the auspicious and favourable moment for the readjustment of freight rate standard and the re-allocation to the eastern part of this country of a transportation burden that has never before been placed upon it, cannot be accepted; that now is the time not for the settlement of old and doubtful contentions, but for the extension of all parts of the country of measures of relief. Mr Beatty in his evidence said that the Canadian Pacific Railway was prepared,—if the Crowsnest pass agreement was not put into effect to give substantial reductions on certain basic commodities. It is strongly our opinion that before this country is relieved by a suspension for a limited period of the Crowsnest pass agreement that this Committee, Mr. Chairman, should name the commodities on which rate reductions should be made by the Board of Railway Commissioners. Anything short of this would not, we take it, be fair to the people of Canada, and it would serve as a direction to the Board of Railway Commissioners when they are dealing with the whole question of freight rate reductions.

Some people say we have too many railways. Perhaps men with vision prior to 1914, who did not see that a great war was coming, thought that Canada was just at a period of far greater development than she ever was before; but with the coming of the war, all our hopes and aspirations had to be thrown to one side, and we had to diligently do our bit in connection with preserving our civilization. That development must come in time if we are going to have any prosperity, and it can only come, we contend, by a substantial reduction in freight rates, and consequent upon such reduction other reductions must of necessity follow. Perhaps there is no more opportune time than now, when the whole railway situation in Canada should be carefully looked into. There is the question of co-ordination, the taking over of the Grand Trunk, and there is the question that is present with us now, the relationship of the Canadian Pacific Railway to the Crowsnest pass agreement. We think this is a serious time, the most serious, we believe, that Canada has ever experienced in her railroad history, and it is time for action by public men—and I speak of “public men” in the broader sense—that is, those who are directing the destinies of the rail-

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ways of this country, and the men, such as yourselves, having absolute legislative jurisdiction. If we can get the people to realize the seriousness of the situation, their needs and requirements, and to realize that anything that is being done which may for the moment seem unfair or unpopular is all for the good of the country, I think, Mr. Chairman, we will be strong enough and big enough to weather the storm. Whether we may live through it or not is not of so much importance, but those who man the ship in the future will say that we, as part of this great Dominion, have left something of a personal heritage, and in that heritage, as one of the citizens of this country and one in humble public life, I would like some day in the future to participate.

To-day the Maritime provinces are not only up against a high tariff wall, but a railway freight wall. This barrier is a great obstacle. That being so, giving up our fiscal identity, we say to-day, that the Intercolonial was built to make possible trade between the Maritime provinces, central Canada and the west. We are a part of this great Caanada. There are burdens, we assume, in the west, financial and otherwise, and we are sure there are no persons who realize it more than do you, Mr. Chairman and members of this Committee, but I say that the great development in the west, with its population increasing, through the policy of the successive governments, in this country, has involved large expenditures of public monies on railways. \$1,500,000,000 has been expended by the Governments of Canada since Confederation in the construction of railways in the western part of Canada and the provinces of Ontario and Quebec, and the Maritime provinces have not participated to any degree in this large expenditure. But we have no complaint in this score, we have paid our share in proportion to our population, but our population in the east is not increasing. The census tells a sad tale for our Maritime provinces, and with excessive freight rates, which are killing our industries, we are forced to the conclusion that unless we get the needed relief, the Maritime provinces made a bad bargain in entering Confederation. But we do not believe that this is the case, we believe that the Government of Canada will see to it that the industries in the east as well as the agriculture of the west, will succeed, and they will hearken to the call. If so, this will make for the general betterment of our country and it will not have defeated its own destiny.

In conclusion, Mr. Chairman and Gentlemen, let me say that this whole inquiry has been illuminating. Not only has it been illuminating, but the good feeling and good-fellowship that has existed between the different interests as represented here is something that we, as Canadians, should feel proud.

We know our country better, we know its needs, and I hope that anything I have said on behalf of the Governments of the Maritime Provinces will be of some assistance to you, Mr. Chairman, and your Committee, in coming to your conclusions.

By Mr. A. B. Hudson:

Q. Mr. Chairman, I would like to ask Mr. Finn a few questions, if I may. You have spoken, Mr. Finn, of the arrangement or agreement as it is called, between Canada as it then was and the Maritime Provinces, in regard to the Intercolonial. That agreement was not defined by any document, other than the section which you have read from the British North America Act.—A. Well, Mr. Chairman, I would like to say to Mr. Hudson that we in the Maritime Provinces submit that there was an implied obligation on the part of the Railway Department of Canada, a Department of the Government of this country, that when that Railway was built connecting the Maritime Provinces with Ontario and Quebec, and the west as it grew and developed—that there was an implied obligation that it should give us such rates over that road as would permit us to get into the competitive markets of central Canada and the west. I may say that in the Maritime Provinces we have a population of only one million people, so that at the door of Montreal there is practically

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a million people. As I say, giving up our fiscal identity, giving up our race relations with the United States, with the New England states particularly, there was established a rate basis on the Intercolonial which was in effect for forty years. Mr. Story, who has been traffic manager for thirty-seven years on the Intercolonial gave evidence before the Railway Commission that these rates were first established in order to permit the industries of the Maritime Provinces to get into the competitive markets of Canada, and I say that there was an implied obligation. But we are prepared to-day to say that we are not pressing the matter; we are prepared to allow rates to stand that are not vital, but in order to get reductions in the east as well as reductions in the west, the reductions should be general and that the Crowsnest pass agreement should remain in abeyance until such time as things become more normal.

Q. What I want to get at Mr. Finn, in particular, are the terms. As you say—I don't suppose there is any doubt about it—that there was not any definite agreement. There was an implied agreement. What I want to get at is exactly what you claim is implied. What do you claim Canada agreed to in regard to rates?—A. What we claim is this, that that railway was built first not as a commercial railway. It was built for strategic military purposes and it was much longer than the road otherwise would have been if it had been built as a commercial proposition. It was built to connect the Maritime Provinces with Central Canada in order that the trade we lost through detaching our trade relations with the United States, that we should have the support of the Canadian market for our industries, and the building of the railway and then putting a tariff wall around it that would not permit us to get the products of industries into the central markets of Canada was not the intention of the fathers of Confederation and was not the intention of those in the Maritime Provinces who were brought into Confederation against their will.

Q. I am afraid you misunderstand the reason of my question. I would be the first to welcome the carrying out of an agreement so long as we can define it. I want to know what the position of the Maritime Provinces is in regard to that agreement, that is in a definite way what were the rates to be?—A. All I can say is, in the language of Mr. Story, as I said before, that the rates on the Intercolonial were to be such as to permit us to get the products of industries into the markets of upper Canada whether the railways carried them at a loss or whether they did not. I say further that the Intercolonial was built as a national undertaking.

Q. I agree with you there Mr. Finn, and I just want to get it clear now. Your contention, or the contention of your Provinces is that the products of Nova Scotia, New Brunswick and Prince Edward Island should be brought to the upper Provinces, to Montreal or Toronto at less than cost if it were necessary to enable them to get those products in there at less than cost to compete with local products.—A. Yes, I say that. To-day in Western Canada there is a deficit of \$64,000,000 and not one of those railways run into the Maritime Provinces and we in the Maritime Provinces are bearing our proportion of that great deficit. After Confederation was brought about the intercolonial system was taken over by Canada. The canals of Canada are free. We paid our portion of the costs of the upkeep of those canals and the Intercolonial is to the Maritime Provinces what the Canal system is to Central Canada.

Q. I am not quarelling with your position that it was a national undertaking. What I want to get is your idea of the basis on which this rate should be placed. Your idea, as I understand it now, is that the rates from the Maritime Provinces should be based on such a figure as will enable the producers in the Maritime Provinces to compete with the producers in the provinces of Quebec and Ontario, that is, no matter what the difference in cost is to be, they are to be on an equality with the people of the different large centres of populations.—A. Yes, I say that, Mr. Hudson. I would further state that the contention of the Maritime Provinces has been that the Intercolonial is essentially a Maritime road coming into the great city of Montreal. When the Drummond County Railway was taken over under Mr. Blair, a part of the

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Drummond County, when the Intercolonial was extended to St. Rosalie, Mr. Blair entered into a contract with the Grand Trunk—they had running rights over the Grand Trunk, and the Grand Trunk agreed that the rates for export and import from Halifax over St. John should be one cent. It was carrying out the old understandings that had been in existence over since the C.P.R. had been built in the eighties. It was an earnest on the part of the then Minister of Railways that he and his railway officials were desirous of having the basis on which rates were fixed continued and that the Grand Trunk being a private Company, the conditions were to be put into writing so there would be no misunderstanding in the future. We contend if the Intercolonial was made a separate unit within the system and a first class man was sent to Moncton in sympathy with the interests of the Maritime Provinces that there would not be any deficits. I am not going to-day, sir, into questions that are far removed from this inquiry, but I think if this inquiry was broader that I could make some statements here to-day that would be quite alarming in reference to the management of the Intercolonial Railway. In the House of Commons in 1913 in Vol. 4 page 6753, Mr. Cochrane says as follows: "I can give the Committee a short synopsis of the past year's operations. The estimated surplus is between \$900,000 and \$1,000,000. It has been a pretty successful year, the revenue being the largest in the history of the road. The estimated revenue is \$12,000,000. In comparison with the last three years the results show up remarkably well. Out of the profits of 1911-1912; 1912-1913; 1913-1914 with \$1,000,000 additional, we expect to be able to pay for the equipment, which amounts, if I remember rightly, to \$4,000,000." The Transcontinental has been built from Quebec down to Moncton through Edmunston, which divides the traffic of the Intercolonial with that road, and I say that there are conditions existing that if the Intercolonial was put on a business basis and was handled by one who knows local conditions, and could meet the requirements of industry and agriculture in our Maritime Provinces, I believe the Intercolonial would show no deficits.

By Mr. Euler:

Q. Would you include interest on capital investment of the Intercolonial when you say there would be no deficits?—A. Certainly not. It was built as a national undertaking, therefore that burden must be undertaken by the people of Canada.

By Mr. Macdonald:

Q. It was built fifty years ago and all paid for.

By Mr. Euler:

Q. To get back to the question I put a little while ago, the theory you have there is irrespective of the cost of operation you think those rates should be reduced to a figure which will enable your people to compete with local people in Quebec and in Ontario?—A. What I say, Mr. Chairman, I don't want to be understood—

By the Chairman:

Q. I think that question has been answered.—A. What we say is that the old differential should be restored. The fifth class rate which was ten cents from St. John over Montreal and eleven cents from Halifax over Montreal should be restored and that the one hundred per cent increase to 1920 or 1921 from St. John and Halifax respectively over Montreal should be dispensed with. Those increases were all made arbitrarily and I don't desire to take the time of the Committee, but the Railway Commission have laid it down as a principle that these differentials should be maintained notwithstanding that there should be some measure of discrimination.

By Mr. Hudson:

Q. You have the Transcontinental as well as the Intercolonial?—A. Not coming into Nova Scotia.

Q. It is coming into New Brunswick?—A. Into Moncton.

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Q. You have the C.P.R.?—A. Into St. John, not into Nova Scotia.

Q. You have the Canadian National Lines into Nova Scotia?—A. Not into Halifax. The Canadian Government but not the Canadian National.

Q. What is the difference?—A. The Canadian National are the managers of the Canadian Government road. We have the old Intercolonial coming in.

Q. None of these railways have more than paid their operating expenses, have they?—A. Which railways.

Q. Any of the railways in the Maritime Provinces?

Mr. MACDONALD: Mr. Cochrane's figures show they did.

By Mr. Hudson:

Q. I have a complete statement of the Intercolonial here and you are perfectly correct as to certain years, the years you mentioned, but taking it as a whole, since the creation of the road I find the net deficit for operation apart from interest on investment was \$20,000,000 and that the total investment on which no interest was paid \$145,000,000. Do you know whether the other railways have more than paid operating expenses in those provinces?—A. Which railways do you mean?

Q. Any railways except street railways?—A. We have not any others except the D.A.R.

By Mr. Macdonald:

Q. The C.P.R. runs in for about fifty miles from the state of Maine?—A. Yes.

By Mr. Hudson:

Q. You have competition by water?—A. Where to?

Q. To Montreal.—A. In certain seasons of the year for about seven months.

Q. Water competition exists to the same extent between your place and Montreal that it does between Fort William and Montreal?—A. Yes, but the only difference is, I might point out, Mr. Hudson, that the differential is six cents lake and rail as against all rail and that differential remains constant but the moment that ceases the Canadian Government go back to the regular rate and we are frozen out with the St. Lawrence freezing up.

Q. In fact water competition does not hold rates down?—A. No, except for the first time last summer it did hold competition down because the C.P.R. and the Canadian Government roads met the water competition of thirty cents.

Q. On one single commodity?—A. Yes.

Q. But as a general rule you will say water competition does not hold rates down?—A. No, it does not.

Q. The Committee can assume that is true from your experience in the Maritime provinces?—A. Yes.

By Mr. Macdonald:

Q. For the last five years?—A. Yes.

By Mr. German:

Q. Why doesn't it? It does every place else.—A. That I would like to know.

Q. Why doesn't water competition hold down railway rates?—A. I don't know. I am not a railway man and I can't answer that question.

Mr. HUDSON: That is our Western case, that they are prejudiced by a rule which is not founded on fact.

Mr. EULER: Mr. Symington's argument was on that line.

Mr. HUDSON: But Mr. Finn agrees with his view on that.

WITNESS: I don't want to be misunderstood, because the rate is held down from bay ports, Canadian bay ports by water competition on the Great Lakes and shipments through New York and Portland by rail and Canadian roads have to meet

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that and that is the reason of the cheaper rates in the East and is the cause of the disparity between the Western rates to Fort William and the rate from bay ports to Montreal or to New York or Portland.

By Mr. Hudson:

Q. I don't quite see the difference, Mr. Finn.—A. What I mean is, so far as the Maritime Provinces are concerned, whether or not we receive the benefits of water competition in the St. Lawrence does not affect the western case because there are no shipments of western grain through the port of Halifax. There is by the C.P.R., who carry a cheaper rate to meet the American rail competition; and therefore, if we are not receiving the benefits of water competition in the East, there is nothing for the western farmer to complain of because the rates are held down in central Canada because of water competition and the competition through the ports of Portland and New York.

By Mr. Hudson:

Q. But you still stick to the position that water competition does not hold rates down in fact in your province?—A. I say that in so far as the Maritime Provinces are concerned, the effect of water competition for seven months of the year, at least during the last five years, has not held down the rates on the Intercolonial to the water rates that they gave last summer.

Q. How is coal moved from down there?—A. Coal is moved by water from Sydney up the St. Lawrence in summer time and in winter time by rail, but the freight rate, as I pointed out, is so excessive now that it is impossible to ship coal by rail.

Q. They bring it up by boat during the open season and store it on the docks for use during the winter, do they not?—A. I do not just know that.

Q. Our western coal is brought to Fort William by boat and is stored there to be shipped later in the season. Is that not true as regards your course?—A. I do not know that that is the fact.

Q. You cannot say whether there is any coal of any considerable quantity moved by rail at all?—A. Oh, yes, there is; there has been.

Q. Where to?—A. As far as Riviere du Loup, and as far as Levis, but very little.

Q. In winter or summer?—A. In winter, of course.

Mr. MACDONALD: By way of explanation, the coal mines of Cape Breton are the coal mines that send coal by water to Montreal. The coal mines of Pictou county and Cumberland county, which are closest to the other provinces, ship coal by rail. The coal from Cape Breton is stored.

Mr. HUDSON: How far is it from the coal mines in the county of Pictou to the water front? It is only a short distance, is it not?

Mr. MACDONALD: It is only a short distance, but they have never gone into the business of shipping coal within the last five years.

Mr. HUDSON: The water rate is the potential rate, so that if water competition did really count it would be effective there.

Mr. DUFF: The reason is that the Dominion Coal Company have their own steamers, and the coal companies at New Glasgow have no steamers.

By Mr. Hudson:

Q. Take another commodity, pulp. Where is that made?—A. I may say that Mr. Angus McLean, of Bathurst, is here. He is a practical lumberman and interested in timber, and I understand that he is going to give some evidence. My attempt to answer these questions would only take up the time of the Committee, and we would not get anywhere.

Q. Another commodity is what—iron?—A. Yes.

Q. That can be moved by water, can it not?—A. I suppose it can, yes.

Q. The water competition, if it means anything, is a potential factor there too?

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Mr. MACDONALD: Except that because of double handling, products like iron and steel are usually transported by rail to avoid a second handling.

By Mr. Hudson:

Q. The iron and steel mills are right on the water front, are they not?—A. Practically.

Q. Another commodity you referred to is potatoes. Where are potatoes grown mostly; throughout the three provinces?—A. Yes, largely in Prince Edward Island and New Brunswick.

Mr. MARTELL: And Hants county.

By Mr. Hudson:

Q. Where are they ordinarily marketed?—A. Largely in Sydney and Halifax, and some at Montreal.

Q. That is, it was really a local maritime market?—A. In answer to that question I may say there is a gentleman here from Edmunston, N.B., who is well up on that question, and I think that if you will direct your questions to him in regard to this matter you will get more satisfactory information, and the Committee will not be delayed.

Q. The potatoes from Prince Edward Island would have to go by boat part of the way?—A. Yes.

Q. And going by Sydney, they would go by boat all the way?—A. Yes, if there was a steamship between Prince Edward Island and Sydney, but there is not. Therefore, they have cars on the car-ferry and they are taken on the freight cars of the Canadian Government Railways and carried to the point of destination.

Q. Prior to the last few years, a large proportion of your potatoes went to the States, did they not?—A. I do not just know that, but I think the gentleman representing here the potato industry will be able to answer that.

Q. With regard to lumber, would you refer him to answer as to lumber too?—A. Yes, I think Mr. McLean will answer that.

Mr. MICHAUD: There is a gentleman here representing the lumber industry, and there is another gentleman who will be able to give evidence as to the potato industry of the province of New Brunswick. I think Mr. Finn is perfectly right in stating that these two gentlemen will give evidence with regard to these industries.

The CHAIRMAN: Does any other member wish to ask questions

By Mr. Euler:

Q. You made the statement that it was implied in the Confederation agreement that the rates for products of Nova Scotia should be such as to enable the maritime industries to compete on equal terms in the markets of Ontario and Quebec without injustice to these two provinces?—A. No, I did not say on equal terms, because we always had a differential of ten cents which had to be absorbed on all traffic. That is now 22 from Halifax for business west of Montreal in Ontario and the western provinces.

Q. What basis of competition would you suggest?—A. The basis I suggested was the basis which was in existence for forty years, that the constant differentials, which have been increased 100 per cent since 1918, should go back to where they were. In 1918 it would be 20 cents first class from St. John; 21 cents from Halifax; 10 cents fifth class from St. John, and 11 cents from Halifax. We were not complaining of the percentage increase on freight rates, but these differentials should not have been interfered with. They are constant in other parts of Canada, and they should have remained constant in the East, because the industries of the maritime provinces absorb that 10 cents in New Brunswick and 11 in Nova Scotia. Therefore, when you say that we desire to get on an equal basis that is not correct.

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Q. I understood you to say that?—A. No, outside the differential.

Q. But you think there should be some concession made?—A. Yes; that we should be permitted to get into those competitive markets at a rate that will enable us to compete.

Q. Would you make that reciprocal?—A. It is reciprocal; always was.

Q. There is no distinction between the rates eastward or westward?—A. We are perfectly willing that the western shipper should have the same differential from Montreal to Halifax and St. John as we have to Montreal and the West.

By Sir Henry Drayton:

Q. Your real trouble is distance, as I understand your complaint?—A. Yes, Sir Henry.

Q. What is your idea; what distance do you think should really be thrown off? We have to get this matter on to some question of principle. What artificial mileage do you think should be given the province?—A. Well, Sir Henry, I cannot just answer that question because I do not know the rate per mile; but I do know that the Railway Commission has said that geographical distance cannot be taken into consideration. I think that was the judgment delivered by yourself when you were Chairman of the Railway Board.

Q. You see we want to know what the local idea is as to what distance should be given?—A. I have here a copy of the judgment delivered by Sir Henry Drayton and the members of the Board on March 15th, 1919. On June 27th, 1919, when the question of the Railway Act was being considered in the House of Commons, and the placing of the Intercolonial Railway under the Railway Commission was being talked about, the Hon. Mr. McCurdy, who was then member for Colchester County, asked the following questions in the House of Commons:

“Mr. McCURDY: The question I should like to submit is this: Now that it is proposed to place the Government Railways under the control of the Board of Railway Commissioners for Canada, may I ask the Minister of Railways with regard to the tariffs or tolls for freight traffic—on what is known as the Intercolonial Railway System—if it can be assumed that there will not be such an interference with freight rates which have been in effect on that system for years as will prejudice and possibly force out of business established industries in the Maritime Provinces, which industries were developed and continued successfully to do business throughout Canada, due to a large extent to the enjoyment of these rates?”

“Mr. REID: One of the effects of the new Bill is, as the hon. member states, to give the Board of Railway Commissioners control over freight rates on what is known as the Intercolonial Railway System. I think, however, the hon. member may be assured that in fixing those rates or any other rates that are fixed, the Board will take all the circumstances into account, and disallow any rates they may consider unjust or unreasonable or unfair to the industries to which he refers. If it does not, there is always an appeal to the Governor in Council.”

That was the attitude of the late Administration and Government policy as outlined by the Minister of Railways in answer to the question of the Hon. Mr. McCurdy, who afterwards became Minister of Public Works of the late Government.

By Sir Henry Drayton:

Q. The Montreal market was always discussed as the chief market. Taking that Montreal market,—your haul from Halifax to Montreal is how many miles?—A. 837 miles.

Q. Now, the Toronto movement is 332 miles from Montreal. What do you think should be the relative mileage for the purposes of rate calculation, having regard to your own view?—A. I cannot answer that question. All I say is that competent railway experts, both under Mr. Storey and under Mr. Hayes, have always kept intact the differentials that had been in existence, and these differentials were only removed or

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increased not by the Commission but under the War Measures Act by the Government of Canada, and at a time when this country was practically drunk with money, and people did not care what they paid for anything they bought. Now in the reconstruction period when times are hard, these heavy increases in the averages prevent us from competing in the markets of upper Canada and the West.

Q. You cannot give us the percentages?—A. No, not personally; they were established by the railways themselves when these averages were fixed.

Q. They were fixed by the Government of that date. You say you do not object to percentage increases in the rates themselves?—A. No.

Mr. MACDONALD: We do object. We do not want any more increases in rates.

WITNESS: What I mean by that is that in any increases in general rates that affect the whole of Canada we are prepared that they should apply to us because it is equalized; but I do not mean by that that I am in favour of rate increases now. I am strongly in favour of rate reductions.

By Sir Henry Drayton:

Q. We are referring to what has been done in the past?—A. Yes.

Q. The reason you did not object to a rate increase was because you recognized there was a burden that had to be borne by somebody or other. If that be the reason for the rate increase, why should there not be a similar rate increase in all differentials, because the differential is even lower than the former rate, and if you carry that on you are carrying on a tremendous discrimination?—A. The differentials were established—it was an arbitrary rate; that is how it gets its name; it was fixed and was to remain constant because it was a rate over Montreal or over Halifax.

Q. It had a certain percentage relation to an existing rate which has entirely disappeared, the other rates being raised so much?—A. The differential should remain constant, and the percentage increases should be in the rates.

Q. Supposing the country was losing \$3,000,000 or \$4,000,000 with the old differential, and supposing that maintaining that differential on the new high cost basis means a loss of \$7,000,000 or \$8,000,000, do you think they should be at that loss?—A. That is a hypothetical case.

Q. Certainly?—A. I could only give a hypothetical answer.

Q. Certainly. What do you say?—A. I say, no, they should not.

Q. Should not lose that extra money?—A. No, should not be increased, if the Maritime and eastern provinces cannot bear it. There is a national duty to protect industry as well as railways, and if it is a question of preserving one at the expense of the destruction of the other, it means, in the end, the destruction of both.

Q. I understood you to say that local stove industries are getting pig-iron all the way from Hamilton?—A. Yes.

Q. I should think the rate on the eastern movement is as bad as the rate on the western movement?—A. We cannot get pig-iron.

The CHAIRMAN: Foundry iron.

Mr. MACDONALD: What is known as foundry pig.

By Mr. Euler:

Q. You bring coke from Hamilton at a freight rate of \$7 a ton?—A. Yes.

Q. Is there not coke coal in Nova Scotia?—A. Not the coke necessary for this industry.

By Sir Henry Drayton:

Q. You make coke there?—A. Yes, not the class of coke required in this industry, I understand.

Q. Do you complain that the rates in the Maritime Provinces are out of alignment with the rates in Ontario and Quebec?—A. Please elucidate that a little.

Q. Do you say that any rates in the Maritime Provinces are out of alignment with similar rates in either Ontario or Quebec?—A. To where?

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Q. Anywhere. Do you make any complaint as to the basis of rates in the Maritime Provinces as compared with the rate basis in Ontario and Quebec?—A. You mean for local traffic or through traffic?

Q. Anything at all?—A. I am not prepared to answer that question. If you will put a concrete case I will attempt to answer you.

Q. Take any case as concrete as you like, lumber or anything else you please, do you say that the basis— A. If you want lumber, Mr. Angus is here, and understands the business thoroughly and will be better able to answer you than I am.

Q. What particular line can you speak about?—A. If you would tell me the line you would like me to speak about—

Q. Anything you like?—A. I do not like any.

Q. I think that is right; I think you are quite right about that?—A. I am not a rate man, and I am not prepared to answer these questions.

Q. I just wanted to know. You have made a great study of this subject, and I wanted to know whether as a result of your studies you find that the Rate structure in the Maritime Provinces is out of line with the Rate structure in the province of Quebec and the province of Ontario?—A. I think perhaps it is, but to what degree I do not just know.

Q. Well, tell me in what it is out of line?—A. I am not prepared to say anything about that to-day.

Q. I want to point out to you that you were saying that water competition was not effective in the Maritime Provinces, and what you are thinking of—wait a moment—were specific traffic movements which were not moving by water, but at the same time you said that water competition was no doubt effective in central Canada. The truth is that the freight structure is exactly the same in the Maritime Provinces as it is in Ontario and Quebec; while you may not have any potential water competition at the moment, yet you are giving the companies the benefit of it, because the rates are the same, and where they are not the same they are lower.

Mr. MACDONALD: I think Sir Henry Drayton is hardly accurate. If you go to the Railway Commission, you will find what the rates are; they are all made out in regard to the whole of Canada except the Maritime Provinces, because the Railway Commission has nothing to do with rates in the Maritime Provinces.

By Mr. Shaw:

Q. Are the differentials the only thing of which you complain?—A. I beg your pardon?

Q. I ask are the differentials the only thing of which you complain?—A. At the present time, yes, with some local rates.

Q. You have given us some information with regard to the stove industry?—A. Yes.

Q. Securing trade materials from Hamilton, do you think it is fair that the differential should be maintained under certain classes such as that?—A. Yes. I say it always has been since the industry was established.

Q. Were those industries established at the time of this implied obligation you spoke of at Confederation?—A. I would not say that, but they grew up under those rates.

Q. Just another question, Mr. Finn. I take it that you do not dispute the accuracy of Mr. Symington's statement that there is a disparity in rates between the east and the west?—A. Certainly not, I do not dispute that, but that is due to the fact that there is water competition and American rail competition.

Q. Do you disagree with his view?—A. Which view is that?

Q. Do you disagree with his view that the revival of the Crow'snest pass agreement will tend to relieve to some extent that disparity in rates?—A. A. I take the position, or we take the position, in the Maritime Provinces that this disparity always existed; it existed during the prosperous years.

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Q. Is it not a fact that it exists to a great extent now than it did when the Crownsnest pass agreement was suspended?—A. Not to my knowledge.

Q. I was wondering whether you could speak with any certainty on that matter?—A. I am not able to speak with any certainty upon that matter.

Q. Have you any statement which would indicate to us the traffic movement, the gross tonnage of the provinces of Nova Scotia, Prince Edward Island and New Brunswick in the various commodities you are specially interested in?—A. Have I what?

Q. Have you a statement showing the gross tonnage exported to the rest of Canada from these provinces?—A. No, I have not, because I do not desire to go into these details.

Q. Can you give us any idea of the traffic movement, the volume of it, that is what I mean?—A. I cannot, offhand.

Mr. MACDONALD: Perhaps some of the members do not understand that the rates on the Canadian Government Railway connecting the Maritime Provinces with the rest of Canada are not fixed by the Railway Commission at all, or that the increase in the rates which took place in 1917 on that part of the railway system of the country was made by the Minister of Railways of the day, operating through the management of the Canadian National Railways. Is that the case?—A. Yes.

Q. The Intercolonial was never placed formally under the Canadian National Railway system; are you aware of that?—A. Yes.

Q. So the only status Mr. Hanna and his coadjutors have is as the active management of the Railways?—A. Yes.

Q. And the Ministers have put into effect those rates we complain of in the Maritime Provinces?—A. Yes.

Q. The rates which might be obtained from the Railway Commission are not furnished there and cannot be obtained, because that matter is entirely within the purview of Mr. Hanna and his colleagues?—A. Yes.

By Mr. German:

Q. Would the eastern people be willing to have their tariffs fixed by the Board of Railway Commissioners?—A. No, not under present conditions.

Q. Why?—A. Because of the fact that by a ruling of the Board, judgment was delivered by Sir Henry Drayton, who is present here, and he said the geographical disadvantages could be taken into the matter of fixing rates.

Q. I think Sir Henry was wrong; another Board might change that?—A. Sir Henry Drayton is right. He was governed by the Railway Act. The thing is to amend the Railway Act of Canada. So to give the Maritime Provinces some equitable relief, but to leave it in the discretion of the Board, I would be satisfied with that.

Q. If the Act was amended so as to give some relief, would you be satisfied to come under their control?—A. Yes.

By Mr. Macdonald:

Q. That is something to be considered. I understand you to say that the position of the Maritime Provinces in brief is this, that owing to our geographical position in the general confederation of this country, that for forty years that consideration was always taken into account and given effect to in the fixing of rates, both local and general?—A. Both local and through rates.

Q. In 1917, geographical conditions were thrown to the wind by the Government of the day, not the Railway Commission, and you are here to say that they should be in some measure restored, if we are to play our part in that confederation?—A. I do say that, emphatically.

Q. Now take the matter of coal. Are you aware that the Canadian Pacific Railway in connection with the operation of coal mines in New Brunswick reduced the

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rates upon coal 60 per cent to Montreal; while there was no relief given in Nova Scotia to those operating a railway, as was done in December last?—A. We did not get anything. There is one statement I would like to make in conclusion, in regard to the local rate, that is, the rate on sugar. We had a rate on sugar between St. John and Montreal prior to March, 1918. That rate was 18 cents. Effective March 15, 1918, under the 15 per cent increase, that became 20½ cents; effective August 12, under the McAdoo award, it became 42 cents; to-day that rate is 52½ cents, which means that the local rate on refined sugar from St. John to Montreal for consumption in Montreal and the surrounding districts has been increased nearly 300 per cent since 1918; within four years the rate has gone from 18 cents to 52 cents, and I say that the industry in the Maritime Provinces cannot stand increases like that. The Atlantic of St. John and the Acadia of Halifax at Woodside, a little town, employ 500 men, with a pay roll amounting to nearly \$1,500,000 a year. If they cannot get into the competitive markets of Canada and the west, where about 70 per cent of their business is done, it means that the business has to go to the wall. Freight rates should not be such as to bring about a disaster such as that, which means not only the ruining of an industry, but putting people out on the street and sending them to practically all parts of the world in order to earn a living. Such a condition should not be permitted to exist, without due consideration.

By Mr. Hudson:

Q. If the rates by water were increased corresponding to rail rates, what would you say?—A. Where to?

Q. Say to Montreal?—A. During the war the rates were high, but since the war and at the present time water rates are very low.

Q. Are they as low as they were in 1913?—A. I don't know. Last summer the rate was 30 cents on refined sugar from Halifax to Montreal and from St. John to Montreal.

Q. What was the rate prior to the war?—A. I do not just know that.

By Mr. Macdonald:

Q. It was never shipped by water?—A. It was shipped rail, because we had an 18 cent rate, and that rate was fixed really by New York rates to Montreal.

By Mr. Hudson:

Q. What were the rates before the war?—A. I do not know.

By Mr. Euler:

Q. You favour the continued suspension of that agreement, for the reason that if the low rates under that agreement are restored you will be prevented from receiving a reduction in rates in the eastern provinces?—A. Yes.

Q. That is your argument?—A. Yes. Of course I do not want to have it understood that the Maritime provinces appear selfish because of these reductions; the reductions will go to the West as well.

Q. You are just representing those provinces?—A. Yes.

The CHAIRMAN: I think Mr. Finn has fully covered the ground. The points he wished to make, I think, have been made pretty clear. This is supposed to be Maritime province day. I am going to call Mr. Porter of New Brunswick, who wishes to make a statement in reference to freight on potatoes.

Mr. GUY G. PORTER, called, sworn and examined.

WITNESS: Mr. Chairman and gentlemen, in behalf of the farmers and those connected with the potato industry of New Brunswick, I would like to make a few remarks concerning how present freight rates affect the potato industry of New Brunswick to-day. The potato industry started in New Brunswick on an export

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basis about 1900, growing gradually in volume up to 1915. Production increased very fast during the war under encouragement by the Government to grow larger crops, until now we grow 10,000,000 to 12,000,000 bushels annually. Our farmers have invested heavily and are well equipped with potato growing machinery which will enable them to produce potatoes a little cheaper in the future than they have in the past. During the period from 1900 to 1915 our markets were mostly in Ontario and Quebec and at that time freight rates were very much lower than they are to-day. During the greater part of this period the rates from New Brunswick in carload lots were seventeen cents to Montreal, twenty cents to Ottawa, twenty-two cents to Toronto and twenty-three cents to Hamilton. On these rates the trade grew until New Brunswick potatoes became an important factor in the Ontario and Quebec markets. During the period of rate raising from 1917 to 1922 our potato trade with Ontario and Quebec has gradually diminished until to-day we are facing a serious situation. We have hundreds of carloads of potatoes in New Brunswick which have not yet found a market. We are paying the farmers to-day twenty-five cents to fifty cents per barrel for a very limited quantity only and the balance of the crop will be dumped.

By Sir Henry Drayton:

Q. The same as last year, is it not, Mr. Porter?—A. Yes. Unfortunately the potato is a very perishable article. Unlike wheat and other grain, it cannot be carried over from one season to another, but has to be put on the market during the season of about nine months, otherwise the crop is lost. The perishable nature of the potato therefore, makes it very necessary that fair and equitable freight rates are at all times applicable so that an even distribution of the crop can be made from the beginning of the season to the end. The present high freight rates applying on potatoes from New Brunswick, i.e., Montreal, 34½ per cent, Ottawa 37½ per cent, Toronto, 45½ per cent and Hamilton 47 per cent, are in my opinion responsible for large quantities of potatoes being dumped and thereby bringing about a tremendous waste in food stuffs at a time when there are thousands of hungry men and women in Canada and the slogan of the day is to preserve.

Q. Where is Ontario getting its potatoes from now? What competition are you meeting in the Ontario market?—A. They are getting potatoes from—they are using their own potatoes and potatoes from Quebec and a few from New Brunswick and a few from Nova Scotia and Prince Edward Island.

Q. So your competitors are in the same position you are in.—A. Except we are at a longer distance from the market.

By Mr. Michaud:

Q. We cannot compete with the farmers of Quebec at this moment?—A. No.

By Sir Henry Drayton:

Q. On the other hand Quebec used to be a large market for you?—A. Two years back we shipped largely to Quebec.

By Mr. Euler:

Q. You don't expect to compete with the man who is drawing his own. You are a thousand miles away and the farmers in Ontario are growing their own. You cannot expect to compete with them?—A. I figure we should not be handicapped by excessive freight rates in competing.

An hon. MEMBER: Then there is the question of politics, of course.—A. Yes.

By Sir Henry Drayton:

Q. Your chief market was Ontario?—A. Ontario and Quebec. The farmers in New Brunswick have produced their present crops at an average cost of approximately \$2 a barrel. They have sold part of their crops at prices that would represent about

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50 per cent of the cost of production. This same condition prevailed a year ago, so that the New Brunswick farmer has produced two crops that have netted him not over 50 per cent of the cost of production. In potato growing sections of New Brunswick, like Carleton, Victoria, York, Madawaska and other countries on the north shore, the potato, like wheat in the west, is the principal crop and the farmers, having lost 50 per cent of the value of their crops for two years, are in a very bad condition financially. The potato crop is an expensive crop to raise, it being necessary to use chemical fertilizer which has been and still is, very expensive material, so when the farmer loses half his crop and is called upon to pay his fertilizer bill, he is obliged to dig up the money from some other source and mortgages are being fixed at an enormous rate bearing interest in most cases from 8 to 12 per cent and unless we get a change in conditions in the very near future, these mortgages will become as permanent a fixture as the buildings. The serious trouble confronting the potato industry in New Brunswick to-day, can, I believe, be very greatly relieved by a substantial reduction in freight rates to all available consuming centres before the next crop begins to move.

By Sir Henry Drayton:

Q. Have you got suggestions there?—A. Yes, sir. What I have just said relates chiefly to potatoes for home consumption in Canada. Potatoes to foreign markets; the Maritime Provinces produce more potatoes than can be marketed profitably in Canada and the West Indies. During that period when our potatoes were admitted free of duty into the United States, we enjoyed a good market for the entire crop and our farmers made money. Since the United States Government have put the high rate of 25 cents per bushel duty on our potatoes (which duty must be paid in American money) we have been unable to find markets that would pay present freight rates and return to the growers more than 50 per cent of the cost of production. There are to-day about thirty million of people who could be supplied through ports along the Atlantic seaboard, such as Boston, New York, Philadelphia, Norfolk, Charleston, Savannah, Jacksonville, New Orleans and Galveston, providing we could secure a reasonably low rate at St. John for export, which, with low water rates would help to overcome a good part of the American duty. But as matters stand to-day, any firm who undertakes to export potatoes from the port of St. John is heavily penalized: for example, the local rates on potatoes, carload lots, Perth Junction, N.B., to Boston, Mass., a distance of 557 miles over three roads, i.e. C.P. Ry., Maine Central and Boston and Maine R.R., is 40 cents per cwt. The local rates from Perth Junction, N.B., to Montreal, a distance of 497 miles, is 34½ per cwt.

Q. Does that include terminal charges and St. John loading?—A. No.

Q. What are they?—A. I am coming to that in a few minutes.

Q. Or nearly 100 per cent higher than local rates?—A. We are penalized when we try to export because we are charged the rate that is 100 per cent higher than the local rate to our local markets.

By Sir Henry Drayton:

Q. You are getting into the question of the long and short haul business. As a matter of fact you ought to get a lower export rate than you would get a local rate if you want to do business. That is not a fair comparison at all.—A. But the export rate from Perth Junction, N.B. to St. John, N.B., a distance of 184 miles is 24 cents per cwt. or nearly 100 per cent higher than the local rates to Boston and Montreal, figuring on a local rate mileage basis the rate to St. John, to be reduced to a parity with the Boston and Montreal rates should be 13 cents per hundred pounds. Therefore I claim that New Brunswick shippers who try to develop an export trade for our potatoes are severely penalized by being forced to pay export freight rates that are nearly 100 per cent higher than local rates. Our farmers have lost half the value of their crop for three years. They are getting discouraged and are being driven into bankruptcy. A great many farmers are not adapted or equipped to grow any other commercial crop

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except potatoes, and unless relief is granted in the way of lower freight rate to seaboard, the potato industry will dwindle into insignificance and the country will be covered with abandoned farms. At the time of the Crowsnest pass agreement in 1897 both the Government and the railroad recognized the importance of wider markets for Ontario fruits and a cut of $33\frac{1}{3}$ per cent in freight rates was agreed upon, applying on all green and fresh fruits moving to the west. The reduction of $33\frac{1}{3}$ per cent was a greater reduction than made on any other commodity covered by the Crowsnest pass agreement and emphasizes the importance of the Government and railroad coming to the assistance of an industry which needed wider market. Again in 1921, the railways made a voluntary reduction of 25 per cent on rates then existing on live stock to assist that important industry in meeting competition in foreign markets. Why then have we not the right to ask and expect both the Government and the railroad to recognize the importance of the potato industry of New Brunswick, which is as important to us as the fruit industry is to Ontario, and to lend a hand at this critical time by putting into effect an export freight to the winter port of St. John, which coupled with cheap water rates will enable New Brunswick to overcome at least a part of the high American duty assessed against our potatoes and assist her in placing a part of her crop among the thirty million people scattered along the Atlantic seaboard. To give you some idea of the possibility of exporting potatoes from the port of St. John, I might say that there were some two hundred odd steamers loaded and shipped from St. John during the winter port season; of these there were twenty odd steamers carrying potatoes only, showing that in volume potatoes ranked second only to grain. Only one of these steamers, however, reached an American port, which shows that under present freight and the high rate of duty we cannot get into the American market. I believe this situation can be remedied. I believe we can put our potatoes on the American market if the railroads will give us co-operation and give us an export rate equally low as compared with the export rates on other commodities such as lumber. On lumber the railways give the shipper a clear bill of lading; on potatoes the bill of lading is clausued "shippers load and count," "owners risk of fire and frost" the railways undertake to do nothing except to haul the goods from shipping point to destination. Potato shippers are required to pay additional charges for any special equipment that may be supplied to protect the potato from frost or any other element. Potato shippers are required to furnish their own stoves and fuel, also to send men in charge of the cars under heat and to pay railway fare covering the return of these men and freight covering return of the stoves and other equipment. At times when potato cars are short shippers are required to place linings in the cars to make them suitable for the carrying of potatoes at a cost of about \$75 per car and without any guarantee from the railway company that these private linings will be returned.

By Mr. Duff:

Q. Pardon me. The Railway company does not provide anything for lining these cars. They do that at their own expense?—A. They do not provide anything for lining these cars. Further than that, the railway company does not guarantee to return your linings. Potatoes, although perishable, are hauled entirely at the owner's risk and the argument of the railroads that the potatoes are perishable and for this reason expensive to handle, I do not think will stand inspection. Why then should we not get as low a rate on potatoes as we do on lumber? In fact potatoes being a food product, used largely by the poorer classes, should enjoy even a lower rate than lumber. The rate on lumber from Hartland, N.B. to St. John, N.B. for export is 8 cents per 100 pounds, with no terminal charges, while the rate on potatoes for export between these two points is $20\frac{1}{2}$ cents per 100 pounds, plus 3 cents cwt. terminal charges, which really makes a comparison of 8 cents cwt. on lumber against $23\frac{1}{2}$ cents on potatoes, or nearly 300 per cent higher.

By Sir Henry Drayton:

Q. Who collects that terminal charge?—A. The railway companies.

Q. So that is an added emolument to the railway company?—A. Yes. The point I am trying to make is that on lumber for export, we pay 8 cents and on potatoes for export 23½ cents between the same points. Therefore I request that this Committee recommend the publication of a rate not to exceed 10 cents per hundred pounds blanketed and covering on potatoes shipped from all points within the province of New Brunswick to St. John, N.B. for export. I also recommend the local rates applying from Maritime Province points to points in Ontario and Quebec be reduced to a pre-war basis as follows:

Perth Jct., N.B. to Montreal, 497 miles, 17 cents cwt.			
“ “ “ Ottawa 608 “ 20 “			
“ “ “ Toronto 831 “ 22 “			
“ “ “ Hamilton 925 “ 23 “			

As against present rates of:

Perth Jct., N.B., to Montreal, 497 miles, 34½ cents cwt.			
“ “ “ Ottawa 608 “ 37½ “			
“ “ “ Toronto 831 “ 45½ “			
“ “ “ Hamilton 925 “ 47 “			

By Sir Henry Drayton:

Q. That would be a mileage of what? What would be your longest mileage on that?—A. Covering from 100 to 200 miles. It would take in the potato belt.

By Mr. Duff:

Q. Would it average 200 miles on an average for the Province?—A. Yes, it would average more than a hundred miles.

Mr. MICHAUD: The haul from my town to St. John is 250 miles.

By Mr. Duff:

Q. Going 250 miles for 10 cents, is that the idea?—A. All the freight would not move over that. There would be some short hauls. There would be some hauls within a radius of—

Q. Would you want the same thing for the 25 mile haul?—A. My suggestion is to put it on a blanket basis.

By Sir Henry Drayton:

Q. What would your producers say if they had to pay the same as a man at a longer distance? What was your export rate on potatoes before the war? You gave us the other rate, but what was the export rate?—A. The export rate on potatoes before the war?

Q. Yes.—A. There was an export rate. I could not say.

Mr. MARTELL: There was a rate to Cuba?

By Mr. Euler:

Q. Do you think the rate you suggest would pay for the cost of transporting these potatoes?—A. I could not answer that. I don't know what it costs to haul a ton per mile. If I remember correctly the export rate on potatoes from Perth Junction, N.B. to St. John, N.B. before the war was something like 12 cents per hundred.

Q. Do you think the railways would be justified in charging at least the cost of transporting those potatoes?—A. Well, a good deal would depend on what importance you want to place upon this industry. It is a matter of temporary relief.

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Mr. HANSON: On general principles, the traffic would bear the cost.

By Mr. Euler:

Q. If it does not, you are going to place the burden on the people of Canada to protect a certain section?—A. Yes.

Q. You would give an argument to somebody else in all other parts of Canada for the same concession that would be the result. That would be unworkable.—A. Yes. I do not ask for special privileges, but I feel we have not got equal privileges to-day in this industry. Failing to secure these reductions, we will be unable to hold the volume of trade we have developed and a cut of at least 50 per cent in production will take place. Our farmers will not continue to operate at a loss as they have during the last three years. It means financial ruin and it is simply a question of finding immediate relief in the way of lower freight rates or going out of the business of potato growing as a commercial proposition. As I see it, the proposition is strictly up to the Government and the railroads of this country to decide which is the better course to pursue.

By Sir Henry Drayton:

Q. I suppose you have some figures to show the importance of this movement. Can you file a statement showing your shipments from the Maritime Provinces of potatoes to Ontario and Quebec points and to American points since 1913?—A. I have not that information with me.

Q. You can write it and send it to the Chairman, can you not?—A. I think so.

The CHAIRMAN: We will have it published.

By Mr. Shaw:

Q. As I understand you, the great development in this industry came as a result of war effort, did it not?—A. And encouragement and solicitation by the Government. It came during the war. I want to say also that it had grown to large proportions up to 1914, before the war.

Q. But the expansion has come during the war.—A. Perhaps the industry has expanded, we will say, 20 or 25 per cent.

Q. Before the war where were your markets for competition?—A. Chiefly in the West.

Q. Can you give us any idea of the volume of the potatoes you shipped?

Sir HENRY DRAYTON: He is going to give a statement showing all that.

By Mr. Shaw:

Q. As a matter of fact you had a big export business for potatoes during the war?—A. We had access to the American market.

Q. And one of the chief difficulties now is that you have not access to that market owing to the Fordney tariff?—A. Yes.

Q. Your chief difficulty is not a question of rates. It is a question of American discrimination against your industry?—A. That is what we are trying to overcome in part by getting lower rates if the export business is worth anything to us.

Q. You told us that you thought lumber and potatoes should be placed on practically the same basis for export purposes?—A. I do.

Q. Are you prepared to admit that the railway company is an insurer of the goods carried?

Mr. DUFF: You require an absolute release in regard to potatoes.

WITNESS: I can tell you how they clause our bills of lading. I could not say as to what the railway's liability is.

The CHAIRMAN: Mr. Hanson, were you asking a question?

[Mr. G. G. Porter.]

By Mr. Hanson:

Q. The railways are insurers, as a general principle, but in the potatoe business they make you assume certain risks, do they not?—A. Yes; they practically get away from all responsibility, except where perishable commodities are concerned. When we ship a car of lumber we get a bill of lading; they indorse the clause "owner's risk of fire," "owner's risk of frost," "owner's risk of weather," and so on.

By Mr. Shaw:

Q. There is considerably more risk on account of weather you have mentioned in the carrying of potatoes than there is in the carrying of lumber?—A. I cannot see where there is, to the railway company, because if there is anything by way of loss as a result of freezing, we lose it. It is up to the shipper to take that added responsibility. Outside of the freight rate, we are obliged to furnish part of the freight car equipment; we have to furnish stoves, we have to furnish the fuel, we have to pay the freight back on the stoves, and we have to pay the fare back of the man.

By Mr. Martell:

Q. You have to take care of all deterioration, in other words?—A. Yes. And even in the event of the car being pilfered in transit, they will not assume any responsibility whatever. They say that our man is the custodian of our cars, when he is along with the shipment, and that they will not recognize any claim for pilferage, which is not the case with lumber, so I claim in the transportation of potatoes from the point of shipment to the point of destination a readjustment of rates which will not be higher than those on lumber.

By Mr. Shaw:

Q. The Company takes no risk on potatoes shipped out of Nova Scotia?—A. I would not say.

By Mr. Hanson:

Q. The only thing they assume is responsibility for their own miscalculations?—A. We have a great many claims against railway companies for excess freight charges.

By Mr. Shaw:

Q. Can we get a statement from the railways as to the losses they have paid; if we could, we could easily get at it?—A. As against that, I would like to be allowed to submit a statement of claims made against our transportation companies which they have not paid, covering losses made in transit.

The CHAIRMAN: Does anybody desire to ask this witness any further questions? If not, that is all, Mr. Porter. Shall we meet this afternoon or this evening?

Mr. SHAW: Let us meet this afternoon.

Mr. CHAIRMAN: Is it of any importance that you should be heard to-day, Mr. McLean?

Mr. McLEAN: I would like to get home as soon as I can.

The CHAIRMAN: We might meet this evening, say at 8.30 and hear Mr. McLean.

Mr. MARTELL: I have a statement here which I would like to submit.

The CHAIRMAN: We will hear you to-night, after we hear Mr. McLean.

Mr. MARTELL: I am presenting this on behalf of my colleagues; I would also like to attend the sessions of the House. There are several petitions in this statement from the Fruit Growers of Nova Scotia. I can guarantee that I will not take more than twenty minutes.

The CHAIRMAN: We will hear you immediately after Mr. McLean, if you can arrange it.

[Mr. G. G. Porter.]

Mr. SHAW: It is now one o'clock. There is one matter I would like to speak about; I would like to see some statement put upon the record which would indicate the value to the Canadian Pacific Railway of the tax exemptions privileges under their charter, because my information is that—

The CHAIRMAN: Ask the C.P.R. when they come in, when they put their witnesses in the box.

Mr. SHAW: Very well, sir.

The CHAIRMAN: I will speak to them about it.

The Committee adjourned at 1.15 o'clock until 8.30 p.m.

The Committee resumed at 8.30 p.m.

The CHAIRMAN: We will call Mr. McLean, Bathurst, New Brunswick.

Mr. HUDSON: Mr. Chairman, before Mr. McLean is called, I would like to have the opportunity of asking Mr. Porter one or two questions about potatoes. May I do so?

The CHAIRMAN: Certainly. I think Mr. Porter is present.

GUY G. PORTER recalled.

By Mr. Hudson:

Q. Mr. Porter, how are potatoes transported; are they transported in bags, in barrels, or loose in the car?—A. Most of the shipments are in bulk, that is, the greater part of the shipments are in bulk.

Q. Dumped into the car?—A. Just dumped into the car; just loaded in bulk. Perhaps 20 per cent or 30 per cent would be in bags. Very few shipments are made in barrels, except from the seaboard.

By Mr. Michaud:

Q. How many bushels are there in a barrel?—A. Two and three-quarter bushels.

By Mr. Hudson:

Q. Do you find there is much damage in the shipment of potatoes?—A. Yes, we have very heavy damage; we have very heavy damage from frost.

Q. Are there special regulations about refrigerator cars, or special protection?—A. No, we use mostly a car that has a special lining in it; it has a special lining built inside the box car. The wall is about eight or ten inches from the outside wall of the car, and we put in sheet-iron stoves.

Q. Who puts in the lining?—A. The railway companies have a number of these cars that we call railway lined cars, but they have not enough of them to take care of the trade, so that almost every year we have to line up a number of cars, that is, the shippers do.

By Mr. Manion:

Q. How far is the farthest point you can ship, or that you could ship to before the raise in rates?—A. We have always shipped to points in Ontario mostly, as far as Windsor, and North Bay.

Q. What is the distance from Windsor to the point of shipment in New Brunswick?—A. I could not say; I could not give the distance. We have often shipped to Alberta, as far as Edmonton and other places on the prairies. During the last two or three years we have shipped to those points.

By Mr. Hudson:

Q. Whose property is the lining that is put in the car?—A. The lining is the property of the railway company. It is in the railway lined cars. When we put it in ourselves, we have to put it in at our own risk.

[Mr. G. G. Porter.]

By the Chairman:

Q. And at your own expense?—A. At our own expense and risk. They do not guarantee to return it but they generally do.

By Mr. Hudson:

Q. Is there any difference in the rate when the railway company puts in the lining and when you put it in?—A. No, the rate is the same, but they make an extra charge for those linings.

Q. Do you ship any potatoes to Ontario at other times than when there is a shortage?—A. Yes, we ship potatoes to Ontario every year, but some years more than others.

Q. Now, with regard to these cars, you say you sometimes put stoves in them?—A. Yes.

Q. Is that usual?—A. Yes; we always put stoves in from the 1st of November to the 1st of April.

Q. Who looks after those stoves?—A. We have to send a man in charge.

Q. There has to be a man in charge of the car?—A. Yes, we call him the caretaker.

By Mr. Euler:

Q. You pay him his return fare?—A. We pay his wages and his return fare back; he gets a free ride along with the car.

By Mr. Hudson:

Q. When did the potato question become really acute with you?—A. Two years ago.

Q. That is, in 1920?—A. Yes.

Q. A year ago last fall?—A. On the 1920 crop.

Q. Was that the result of the American tariff?—A. Well, in a large measure.

Q. Prior to that, you had had a very good market in the States, had you not?—A. Well, for a period during the war when there was no tariff against us we shipped very heavily to the States, in fact that was our biggest market.

Q. Prior to the war, did you not ship to the States also?—A. Not very much. Our market before that time was chiefly in Ontario and Quebec.

Q. The large production of potatoes commenced how long ago?—A. Well, ever since 1910 or 1912 we have been raising large quantities.

Q. What quantity of potatoes would you say were produced beyond the needs of your own province in 1920?—A. Beyond the needs of our own province?

Q. Yes?—A. I haven't any figures to show what the exports were from year to year, in fact I could not give you any very good idea of that.

Q. Have you any idea how many bushels of potatoes were grown last year?—A. I would say ten million or twelve million bushels.

Q. What proportion of that went to the States?—A. I could not tell you that.

Q. Last year was a particularly good potato year?—A. No, it was a very poor year.

Q. It was a very good potato year in other places, was it not?—A. What do you mean?

Q. I mean there were large quantities of potatoes in other parts of the country?—A. Yes, I thought you were referring to the markets.

Q. You had a big crop?—A. We had a big crop.

Q. And they had big crops in other parts of Canada, and in the United States?—A. Yes.

Q. Do you ship any potatoes to Montreal by boat?—A. No.

Q. Why?—A. We haven't any facilities.

Q. I beg your pardon?—A. We have not any facilities.

The CHAIRMAN: The potato country is not on the water side, it is in the interior, between Quebec and Maine.

By Mr. Hudson:

Q. There are no potatoes shipped by water from your potato district in New Brunswick, to speak of?—A. Very few if any.

Q. If you were selling to the United States, would they be shipped by rail or by water?—A. We think that if we had a cheap export rate to St. John and then cheap water rates to the American ports on the Atlantic seaboard, we would be able to get in there and take over part of the trade.

Q. What would be the average distance for the haulage of potatoes to St. John?—A. I would say 100 or 150 miles.

By Mr. Michaud:

Q. The longest distance is from my own home town.—A. Yes, but the larger movement takes place in Carleton County, farther down, where the distance would be 150 miles, and in your county a distance of about 100 to 125 miles.

By Mr. Hudson:

Q. What would you regard as a reasonable rate on potatoes to St. John?—A. Ten cents per hundred.

Q. What is it now?—A. Twenty-three, twenty-three and a half or twenty-four and a half cents.

By Mr. Michaud:

Q. From your own town?—A. Yes, sir.

By Mr. Hudson:

Q. The central point from the potato district, I mean?—A. It is twenty-four cents I think from Perth Junction.

Q. How far is Perth Junction?—A. 180 odd miles.

By the Chairman:

Q. What was the rate before the raise in freight rates?—A. The rate to St. John for export was twelve cents I think.

By Mr. Hudson:

Q. By the way, what about the prices of potatoes?—A. We are buying potatoes to-day there for twenty-five cents a barrel.

Q. What are the local prices in Montreal and Toronto?—A. I sold a car here to-day at eighty-five cents, to be put up in 90-pound bags, delivered in Ottawa.

Q. The price of potatoes varies very much from year to year?—A. Yes, very much.

Q. It may be double one year what it was the preceding year?—A. Yes.

Q. What is the freight to Ottawa?—A. I think it is thirty-seven and a half cents.

Q. Thirty-seven and a half cents per hundred pounds?—A. Yes.

By Mr. Euler:

Q. Do you handle them in a co-operative way, Mr. Porter, or is it each man for himself?—A. Each man for himself.

By the Chairman:

Q. Those potatoes would be sold at a loss?—A. Yes.

Q. They are sacrifice sales?—A. Yes.

By Mr. Manion:

Q. Simply because it is a dumping proposition?—A. We could not begin to take them even at twenty-five cents; we cannot take them, because there is no market for them.

[Mr. G. G. Porter.]

By the Chairman:

Q. Is there anybody else who wants to ask a question, if not we will call Mr. McLean.

Mr. ANGUS McLEAN, called, sworn and examined.

Mr. McLEAN: Mr. Chairman, and gentlemen of the Committee, I have prepared a little brief which I thought I would present to you in connection with the pulp and lumbering industry in the Maritime Provinces, and particularly in our own province of New Brunswick. "In this short summary we are only dealing with freight rates in so far as they affect our own industry, but we believe we are quite safe in making the statement that all other industries in the Maritime Provinces are affected in a similar manner. We are manufacturers of sawn lumber, wood shingles, railway ties, and so forth, also both Kraft and sulphite pulp, representing in normal years a tonnage of one hundred thousand tons. Practically all our output is marketed in the United States, chiefly in New England and New York for lumber and shingles, and New England and the Middle West for our pulps. At the time our rates were first advanced in 1918, we were able to add the increased cost to our prices and maintain our profits. This condition obtained till about September, 1920, when an additional 40 per cent increase was made in freight rates. Almost immediately business collapsed and has remained unprofitable ever since. The selling prices of our commodities have declined since September, 1920, over 50 per cent on lumber and 70 per cent on pulp. We have been able to reduce our manufacturing costs in about the same proportion in so far as our lumber is concerned, but the situation is entirely different on pulp. We have only been able to reduce our costs on this article 45 per cent and we would not have succeeded in doing this were it not for the fact that we are freighting in a good part of our raw materials to our plants by water.

"We should have been able to reduce the cost of our pulp 70 per cent if we had been able to carry on the same as the lumber end, but on account of so much of our manufactured material coming in by rail, our production has been only about 45 per cent.

"In order to indicate how seriously our pulp costs are affected by railway rates, we may state that it takes equal to five cars of raw material to produce one car of our finished product. Ever since the fall of 1920 our plants have only been operated intermittently, and what pulp we have made has been sold at less than cost of production. Up to the year 1918 the following rates prevailed to our chief shipping points:—

"On lumber, Boston and New England points on the Boston and Maine railway, old rate 19 cents per 100 pounds, present rate 35 cents per hundred pounds. New York, old rate 22½ cents per 100 pounds, present rate is 40 cents per 100 pounds, being an increase of 84 per cent on the first and 78 per cent on the second. Most of our lumber has in the past been marketed in the two markets, the New England and New York markets, and I am only taking these as the principal points so far as lumber is concerned.

"On pulp, the Boston rate was 17 cents, and is now 35 cents, an increase of 106 per cent; Chicago, old rate 27 cents, present rate 50 cents, an increase of 85 per cent; Rockport, Ill., old rate 29 cents, present rate 57½ cents, an increase of 98 per cent; Grand Rapids and Kalamazoo, old rate 26 cents, present rate 46½ cents, an increase of 78 per cent; Cincinnati, old rate 27 cents, present rate 50 cents, an increase of 85 per cent.

"The above are all representative points where we ship our products. The chief competition we have to meet at the present time is the Scandinavian pulp coming into Boston, New York, Philadelphia and Baltimore and from there railed to interior points."

[Mr. Angus McLean.]

That is, interior points in the United States where the converting mills use the pulp.

"Owing to low trans-Atlantic rates to the above points and lower rail rates from there to consuming points, we are faced with a condition that the Scandinavian pulp can be delivered from their points of production in Scandinavia to the converting mills in the United States at practically freight cost as ours.

"We attach a copy of a letter from one of our customers at Grand Rapids, Mich., which points out quite clearly how we are affected by the advantage they have over us because of the lower rates made by the American railroads from their seaports to the consuming points. In the eastern markets we are placed at a still greater disadvantage owing to the rail haul being so much shorter on the American roads." I think it may be of interest to you to give the figures we paid to the railroads for inbound freight in the last five years so that you may see the decline which has taken place in the last year and a half because of the high rates. I think that that is the vital thing we have to face to-day. Owing to the high freight costs the railroads are losing tonnage, and my claim is that the railroads could very effectively reduce their freight rates, and they would increase their traffic and make more money than they are making on the present high freight rates.

Mr. MICHAUD: And employ more people?

The WITNESS: And employ more people. Unless that is done business people are going to suffer, and suffer more seriously than to-day. What we believe in Canada is low freight rates and a big traffic, and we can never get a big traffic on the present rates. We have to get cheap rates if we are going to be an exporting country, and in my opinion the only salvation is to develop a large export trade. We cannot possibly do so under the present high freight rates.

By Mr. Shaw:

Q. I suppose that what you say with regard to the pulp industry, as to lower freight rates stimulating traffic over the railroads, would apply to every other industry?—A. Certainly, and not only that, but the railroads can reduce their costs if they have increased traffic.

By the Chairman:

Q. In your own experience do you think you could market more lumber?—A. Certainly we could. The trouble to-day in pulp, which is our chief industry, is that we have to meet this foreign competition that is coming in.

By Mr. Michaud:

Q. You have taken over all kinds of lumber?—A. We have. The only markets we have to-day for pulp, practically the only markets for Canadian lumbermen or pulp manufacturers in the world to-day is the American market. There is no other market; the European market is closed to us.

By Hon. Mr. Stewart (Lanark):

Q. The lowering of rates of course would be of no use to you unless it affected the American roads?—A. There is no reason why the American roads will not join in the lowering. We have very good evidence that they are prepared to do so.

"We have paid to the Canadian Railways for inbound freights alone, the following amounts:

1917.....	\$168,741 59
1918.....	261,387 33
1919.....	188,494 24
1920.....	247,384 06
1921.....	_____

and this is what I would like to call your attention to—

1921..	\$76,589 09
1922 (5 months to 31st May)..	70,018 48

making a total of \$1,012,614.79.

“In the above figures no account is taken of the freights on our outbound traffic as this freight was almost entirely paid by our customers at destination. We are unable to tabulate same, but our estimate is that this would amount to fully three times the inbound, that is, the outbound traffic would amount to the vicinity of \$800,000 per annum.”

I am stating that conservatively.

By Mr. Macdonald:

Q. That would be in normal years?—A. In normal years.

“We believe the railroads would earn more revenue carrying a larger volume of traffic at lower rates than at present prevail and our ideas of a reduction is a restoration to the rate prevailing previous to the last increase of 40 per cent imposed in September, 1920.”

By the Chairman:

Q. You would get back to the 1918 rate?—A. The 1918 rate. There were two advances prior to that, one of 15 per cent, and one of 25 per cent, I think, and then in September, 1920, there was the 40 per cent increase. That was the last straw that broke the camel's back. Things went to smash immediately afterwards.

“We cannot see any valued reason why the railroads should not be able to reduce their operating costs and rates in approximately the same proportions that we manufacturers have been compelled by competition to reduce our operating costs and selling prices.

“And further we believe this will have to be done before Canadian manufacturers using the railroads can compete in the world's markets and business can be established again on a reasonably profitable basis.”

Now, I will read a letter which came the other day unsolicited from one of our large exporters in the United States that will touch on the inequality of the freight rates from the seaboard of the United States as compared with the rates from our plant into the United States in the same category. This letter is written from Grand Rapids, Mich., and is dated May 25th, 1922:

“AMERICAN BOX BOARD COMPANY

GRAND RAPIDS, Mich., May 25, 1922.

“Bathurst Co., Ltd., Bathurst, N.B.

“GENTLEMEN,—We have been purchasing a considerable amount of pulp from you through Price and Pierce of New York City, and it is observed in connection with the movement of this traffic that the freight rate from Bathurst, N.B., to Grand Rapids, Mich., is 46½ cents.

“In this connection your attention is directed to the fact that in recent readjustment of pulp rates covering import shipments from the ports of Boston, Mass., New York, N.Y., Philadelphia, Pa., and Baltimore, Md., the following commodity rates have been established:

	cents.		cents.
New York, N.Y.	38½	Baltimore, Md.	35½
Philadelphia, Pa.	36½	Norfolk, Va.	35½
Boston, Mass.	37		

[Mr. Angus McLean.]

"What if any steps have been or will be taken by you in the direction of having a level of rates established that will be somewhat in line with rate from Boston, Mass.? As you doubtless are advised under the adjustment that exists Baltimore would be the point upon which the price determination would have to be fixed. However, upon an actual rate adjustment it appears to the writer that your rate should be aligned on the existing differential basis in respect to the Boston, Mass., rate. It will be observed that your rate of 46½ cents compared with the import rate from Boston, Mass., of 37½ cents is a quite material disadvantage from which you will doubtless wish to secure a measure of relief.

"Yours very truly,

"American Box Board Company."

Now, this marks a different phase of the situation than has been presented to the Committee hitherto. As I understand it, the rates which have been discussed have simply been the rates in Canadian territory. Our rates of course are largely international rates; as practically all our traffic is done in the United States, and has been since our establishment was started. But I have very good evidence that the United States railroads are prepared to join in the reduction if the Canadian roads are prepared to make a reduction. I am not prepared to say that they are prepared to make a 4 per cent decrease, but I do know that they are expecting to join in a decrease of those rates.

By Mr. Hanson:

Q. The Canadian National representatives said that if there was a reduction they were prepared to make a reduction of something like 16 per cent in the lumber rates. Would that be of any use?—A. No sir, they might as well leave it where it is.

By Mr. Michaud:

Q. I have stated to the Committee a few days ago that I had a letter from the Fraser Lumber Company in New Brunswick. You know that company?—A. Yes.

Q. It is one of the largest lumber companies probably in eastern Canada, and the cost of transportation in connection with your own business would correspond practically with the cost of transportation of the Fraser Lumber Company?—A. Yes, it would.

Q. In pulp and lumber?—A. Very similar.

Q. And their request would be the same as yours, in fact all the lumbermen?—A. I might say for your information that I am satisfied that my statement covers the lumber industry of New Brunswick.

By Mr. Hanson:

Q. And pulp?—A. And pulp. As it affects us it affects all industries there, and I know that all the industries are suffering very seriously and are absolutely selling, and have been for the last year and a half, their product under cost of production. Under these conditions we have brought our cost production down, and we claim that the railway companies have not done that. I do not know what steps they have taken, but from their statements apparently they have not been reducing their costs in any way like the manufacturers have been compelled to do.

By Mr. Shaw:

Q. To what extent would you venture an opinion as to the reduction, as to how much the reduction should be?—A. Take off the balance of the 40 per cent increase. Bring the rates down, and the costs will come down. You will not get them down in any other way.

[Mr. Angus McLean.]

By Mr. Hanson:

Q. I understood you to say that there was a very distinct demand for lumber, and pulp products. That is the fact within the last few months only?—A. Only.

Q. And in your opinion the needed stimulant is the reduction in freight rates which you have named?—A. Yes, sir.

Q. It has been stated by the representatives of one of the railways, I think by the gentleman representing the Grand Trunk, if I remember rightly, that a reduction in freight rates would not operate as a stimulant on the lumber business. You do not agree with that?—A. I absolutely disagree with that. That is not a correct statement.

By Mr. Michaud:

Q. Mr. McLean, is it not a fact that at the present moment there are a great number of lumber merchants in New Brunswick with lumber on hand which was cut in the year 1919 at a very high cost. You were paying wages from \$80 to \$90 per month, paying \$4 a day to the men and you have still that lumber on hand, part of it?—A. We have quite a lot of lumber that we cut in the fall of 1920, the winter of 1919 and 1920 and also 1920 our costs, in the fall of 1920, were higher than even in the fall of 1919. When we put men into the woods in the fall of 1920 we had to pay \$85 a month for men going into the woods. Practically all our cutting was done under that condition. The drop in wages did not come—in fact we did not get any advantage in the drop in wages until after the turn of the year.

By Hon. Mr. Manion:

Q. You spoke of competition from the Scandinavian countries and I understand that is pretty heavy too with the Scandinavian people?—A. Yes.

Q. Does the exchange situation have any effect on that?—A. Yes.

Q. It makes it much more severe.—A. I don't know what the conditions are at the present moment but here a short time ago we compared the conditions so far as the Canadian manufacturer was concerned against the Scandinavian, that is the Finland pulp. They were selling pulp in the New York market as low as \$40 a ton. To convert that into Finnish money it meant \$480.

Q. You would not have sold it?—A. We would have to sell it at a competitive price of about \$40 a ton.

Q. What would have been the price in New York about the same time.—A. Our cost at that time was running about \$75 a ton.

Q. So you would have to sell it at about \$100 a ton?—A. We do not expect as big a price as that.

Q. On account of the transportation cost?—A. Yes.

Q. They could sell at \$40 on account of the exchange situation?—A. Yes.

Q. And the depreciated currency?—A. Yes.

Q. What are the other raw materials in the manufacture of pulp, besides pulpwood?—A. It varies. A ton of coal for every ton of pulp.

Q. What else, sulphur?—A. Yes, and lime, salt cake and there is always raw material coming in such as machinery and supplies.

Q. What percentage of your transportation costs are included in the cost of your raw material, as compared with the cost of your output? Is the cost to you of your raw material, the freight charge on your raw material as much as the product which you manufacture?—A. As much as the cost?

Q. Yes.—A. The cost of the raw material is a great deal more than the labour cost.

Q. We will take your raw product, taking into account the raw material you use in making that product and taking the whole cost on that and take the costs of your output, your pulp that you sell, the freight costs on that, are the freight costs, taking it on a ton of pulpwood, the freight costs on the raw material entering into

[Mr. Angus McLean.]

them as high or higher than the cost of the product?—A. I would have to do a little figuring before I can give you a decided answer. There is something you would have to bear in mind, that we are able and do bring in the largest part of our wood by water and we did at one time bring in a large part of the wood by rail, but on account of the high rates we have had to abandon that.

Q. You have a shorter haul for that raw material?—A. Yes.

By Mr. Hanson:

Q. In your particular industry you would be situated so you could do that, but many mills are not so situated?—A. Yes.

By Mr. Macdonald:

Q. Where do you get your pulp wood by water?—A. From our own rivers. We float them right by water into the boom.

Q. On account of the high freight rates you have taken that method of doing so rather than by getting it by rail?—A. We have always done that, but at one time we were large buyers of pulp wood from the farmers and settlers all over the country and all of it came in by rail, but we have had largely to abandon that to-day.

Q. It makes your costs so high you cannot afford to—

By Mr. Michaud:

Q. There are a great many mills in New Brunswick haul their lumber by rail, like the Frazer Lumber Company.—A. They haul much the same products that we do.

By Mr. Macdonald:

Q. Except in the winter time you cannot utilize any water facilities at that time?—A. We bring in a stock in the summer.

Q. You spoke in regard to coal. Since the increased rate in coal, you have changed your method of getting coal?—A. Yes.

Q. You formerly got your coal from Spring Hill and Cumberland County?—A. Yes.

Q. Owing to the increased rates in coal, I understand you bring in coal from the United States by water?—A. We bring in all our coal from the United States by water.

Q. What are the freight rates?—A. Hampton Road to Bathurst \$1.50 a long ton.

Q. I find the increased rate on coal from Spring Hill to Bathurst is because you have to pay \$2.01½ per ton.—A. From Spring Hill the present rate is \$1.75 per ton rail.

Q. I have here the corrected rates. Per gross ton.—A. Per gross ton, yes. We can bring coal from Hampton Road to Bathurst for less than from Spring Hill to Bathurst by rail. In addition to that we can get a lower price on the coal at the mine besides.

Q. What are the other things you import. You have first the pulp wood, on which you have given up rail use as much as possible. You get that coal in the United States and did not get it that way. What are the other items?—A. Sulphur is a big item.

Q. Where do you get that?—A. From Louisiana.

Q. By water?—A. We formerly brought it by rail but we bring it entirely by water now.

Q. A certain kind of cake?—A. Salt cake.

Q. Where do you get that from?—A. From the United States largely.

Q. By water?—A. No. By rail. But we are switching to bring that in from the European market by water as well.

Q. Do you ship any of your products by water?—A. Very little. We ship some lumber by water but the consuming mills are largely located at points where we cannot

[Mr. Angus McLean.]

reach. You cannot ship part way by water and tranship again. The cost is too great.

Q. The result would be the same now. The figure was on using rail transportation.—A. Absolutely. At one time 75 per cent of our business, lumber and pulp wood by rail. To-day our pulp practically all goes out by rail up to the present time and in lumber we are shipping by water shipments. In fact we cannot ship rough lumber by rail complete. We can ship dressed lumber.

Q. Your theory is if you get back to the lower freights you would go back to rail transportation?—A. The one point we find in building up a rail trade at interior points, we have had to go out and remove any adverse conditions and look up a new market where we could reach by water. We have been doing that for the last two or three years, more or less successfully.

By Hon. Mr. Manion:

Q. If they went back to the rates before 1920, before increase of 1920, would you be able to take a good deal of your raw material by rail again?—A. Yes.

Q. That would mean a greater traffic. What is the difference between the price of your coal that you get in by water to what you get in by rail?—A. We are laying down our coal at Bathurst to-day for very little over the cost of the coal at the point of shipment, at Spring Hill Junction.

Q. In other words, it saves your rail freight?—A. We save the rail freight. The rail freight is \$1.50 from Hampton Roads a long ton.

By Mr. Macdonald:

Q. \$2.01 according to those figures?—A. I might mention this which might be perhaps of interest to you: this coal we are buying from the United States to-day, 75 per cent of the cost of getting that coal to our place, is freight. The rail rate from the mines to the seaboard is heavy in the United States and the freight from the seaboard to our own point is a very reasonable rate, practically the same as we paid before the war.

By Mr. Hudson:

Q. How far are you from tide water?—A. We are right on tide water.

Q. So that your incoming freight from the States can come right to your mills?—A. Certain things can. There are many things, like our salt cake.

Q. All the things can come by water come right to your mills?—A. There are certain things, for instance, salt cake we cannot handle from the United States mills by water for the simple reason that the mills that produce this article are not located on the water fronts in the United States.

Q. How far is your mill from the American boundary by rail?—A. From the New England boundary by rail it is a little over 200 miles.

Q. What proportion does that bear of the total distance to your market?—A. Our big market is largely in the middle west and the Canadian National Railway has the big haul for instance, into Kalamazoo and Grand Rapids. They can get practically the entire haul on that traffic going there over the one road, over the Grand Trunk.

Q. How far do you have to carry your raw product when you carry it by rail?—A. We bring it from different points. Our coal—we used to bring our coal from—

Q. You bring your coal now you say by water?—A. Yes. We used to bring a lot of coal from American points. We formerly did.

Q. What about pulpwood?—A. It is all produced locally.

Q. How far would that be carried by rail if it were carried by rail at all?—A. Some of it is very close by and others we bring from a distance of 75 to 100 miles.

Q. I suppose you pay a fixed price?—A. We pay so much a hundred pounds.

[Mr. Angus McLean.]

Q. It does not make any difference to you whether it comes by rail or water, that is the price you pay?—A. Except this, there is a certain amount of wood that is produced by the farmers and the settlers. It is piled along the railroad and it is not feasible to bring it in by water. It has to come in by rail.

Q. You pay the same price as you would if it came down the rivers?—A. For the wood?

Q. Yes.—A. No. We usually pay a little more.

By Mr. Hanson:

Q. And you buy it f.o.b. cars?—A. We buy it f.o.b. cars at shipping points.

By Mr. Michaud:

Q. There are mills in New Brunswick where they haul pulp wood by rail and ship the pulp by rail.—A. The mill at Edmundston, they bring all the raw product in by rail and ship the raw product out by rail.

By Mr. Hudson:

Q. What is the price of lumber now compared with the pre-war price?—A. It is probably 50 per cent higher than it was.

Q. What about pulp?—A. It is down to practically pre-war prices.

Q. That is, it came down with a slump a year ago?—A. It came down with a slump a year and a half ago.

By Mr. Shaw:

Q. You have given these figures that you have paid for inbound freight for the first five months of 1922, about \$70,000?—A. Yes.

Q. Does that include your freight by rail and water?—A. No, by rail. All these are simply rail freights.

By Mr. Michaud:

Q. That is what you pay the Government Railway?—A. That is what we pay the Government Railway.

By Mr. Shaw:

Q. So these figures would be your material brought to your mill?—A. Exactly.

Q. You mentioned salt cake. Would there be much traffic in that?—A. Yes.

Q. How much of that would you use per month, say?—A. I would have to calculate a little on that. We use about—

Q. Just give it approximately. I don't want it exact.

Q. Probably you could make that statement up afterwards?—A. I will do so and give it to you. I may say it is quite a large item.

Q. Now with regard to the coal that you mentioned you purchased in the United States, is there any difference in the quality of that coal and the Nova Scotia coal?—A. Yes; some difference.

Q. Which coal is preferable?—A. Most American coal is a better grade of coal.

Q. What is the distance from your plant at Bathurst to your connecting American point by rail?

Mr. MACDONALD: About 200 miles.

WITNESS: No; that is the nearest point. Our raw material going into the New England market comes down by Montreal, and with regard to the material going into the Middle West, the originating road will carry the traffic the longest distance to the point of destination on their own line. If we were shipping to Grand Rapids the traffic would move over the Grand Trunk. I think the Grand Trunk runs into Grand Rapids.

[Mr. Angus McLean.]

By Mr. Shaw:

Q. Where is the majority of your business done, in the Middle West or the Eastern States?—A. It is pretty evenly divided; practically all our lumber to-day is going into the New England States.

Q. And the lumber would necessarily go by water?—A. We cannot get into the New England market by water; it is by all rail.

By Hon. Mr. Manion:

Q. There are a number of pulp mills in Northern Ontario, some of the officers of which have stated to me that unless they can get in their raw material, such as pulpwood, lime, sulphur, and so forth, under the rates previous to the increase in 1920, they cannot get down to a proper basis of competition. Would you consider that a proper statement of the conditions?—A. I beg your pardon? I did not hear the last part.

Q. That they would like to get the rates on those raw materials and also on their output back to the rates which prevailed previous to 1920?—A. I think that would be a satisfactory basis to get back to.

Q. Then you think, from the standpoint of the pulpwood and paper industry in this country, that the basis obtaining previous to 1920 would be the best basis for the railways to give?—A. I think if the balance of the 40 per cent increase were taken off, it would put the railways in a position to get a large traffic and earn a big revenue and pay the fixed charges, and the industries of the country would revive and give them that big traffic.

Q. And it would be satisfactory to your industry?—A. Yes; nothing less would be satisfactory.

Q. And you think that would, in a general way, be satisfactory to most industries?—A. I think so.

By Mr. Macdonald:

Q. Do you think it would help to decrease the deficit on the Canadian National Railway?—A. I think so; I think the only way to decrease that deficit is by increasing the traffic and allowing the country to get into a prosperous state of trade.

By Mr. Michaud:

Q. Dr. Manion stated the standpoint of the pulp and paper industry. I suppose he includes the lumber industry?—A. Yes, the same would apply.

By Hon. Mr. Manion:

Q. The same would apply to the lumber industry?—A. Yes.

The CHAIRMAN: I have had letters to the same effect.

By Hon. Mr. Manion:

Q. Apparently you confirm that?—A. I do. I say that nothing less than the removal of the balance of that 40 per cent increase would be satisfactory. The manufacturers and shippers have canvassed the situation very thoroughly, and we are firmly of the opinion that if the interests of the country are to be revived, the balance of that 40 per cent increase must be removed. We claim it will still give the railroads a big revenue which they are not getting to-day because of restricted traffic.

By Mr. Euler:

Q. That means the other 25 per cent.—A. It is more; 5 per cent was taken off.

By Mr. Hudson:

Q. Your difficulties would not be solved unless the American roads reduced their rates as well?—A. No; it would be necessary for them to reduce their rates as well.

[Mr. Angus McLean.]

Q. And some arrangement would have to be made by which the American rail rates were reduced below the 10 per cent reduction which has recently been made?—A. Yes.

Q. And in your opinion the American roads would agree with the Canadian roads to meet that situation?—A. I believe they would.

By the Chairman:

Q. You have good reason, I presume, for saying the market for lumber would increase with a reduced freight rate?—A. The market is reviving now, but the trouble is that we are not making any profit. We are trying to meet market conditions without making a profit.

By Mr. Hanson:

Q. You have lots of orders, but they are not profitable?—A. They are not profitable.

By the Chairman:

Q. Mr. Hayes, what is the practice in securing an international rate? I believe you explained it here the other day?

Mr. HAYES: We are not in a position to force upon the American railways a greater reduction than they are willing to participate in.

By the Chairman:

Q. How do you do it, by conference?

Mr. HAYES: Not necessarily by conference. For some time past we have had to follow along the increases made by the American railroads themselves; otherwise, if they had not supported our tariffs we would have had to carry the whole burden. To-day the Interstate Commerce Commission are suspending tariffs below a rate which is reasonable in their own territory, and we are powerless to establish any rates lower than the 10 per cent reduction which they have authorized in their own territory; if we did so, they would immediately suspend the tariffs.

By Mr. Hanson:

Q. Have you made any recommendations?

Mr. HAYES: We recently made recommendations with regard to the rates on our pulp and paper, but have had no result.

By the Chairman:

Q. Are American pulp and paper men using their influence against the reduction, as against Canadian traffic?

Mr. HAYES: I would not say so. I think the producers of pulp and paper in the United States are quite as anxious as Canadian manufacturers to obtain some concession in their rates.

By Mr. Macdonald:

Q. American paper people would be, anyway, because they want to consume our pulp?

Mr. HAYES: Yes.

Mr. HUDSON: You mean the newspapers?

Mr. MACDONALD: Not so much the newspapers as the paper companies in the United States who take our pulp and convert it into paper over there.

Mr. HAYES: They would be quite anxious to get reductions on pulp and also on pulpwood.

By Mr. Michaud:

Q. Mostly on pulpwood?—A. Yes.

[Mr. Angus McLean.]

Q. Because they would want to keep it in the States?—A. Yes.

Mr. MACDONALD: They also take it and convert it into manufactured goods.

Mr. HAYES: We have never seen any indication on the part of the American railways; in fact they have been criticizing the decision of the Interstate Commerce Commission in making this 10 per cent reduction.

By Mr. Macdonald:

Q. Is that 10 per cent flat, or is it applied to certain commodities?—A. It is a 10 per cent reduction all around. We have made in Canada a drop of 5 points on January 1st, 1921, a further drop of ten points was made on December 1st, 1921, so that we have already anticipated these reductions the American roads have made of 10 per cent on their original rates.

By the Chairman:

Q. Your reductions of 5 and 10 points were simply on Canadian traffic?—A. That is the only traffic on which we have authority to reduce rates.

By Mr. Macdonald:

Q. Do you not take the International rates; these two reductions of 5 and 10 are applied to International traffic?—A. No, they are not applied to International traffic, but there will be a 10 per cent reduction on July 1st applying to International traffic.

Q. You say that that is not enough, Mr. McLean?—A. No, sir. I have very good reason to believe that if the American roads are prepared to join the Canadian roads in a reduction, that that reduction can be brought about.

Q. The chief industry in New Brunswick is lumber and pulp?—A. Yes.

Q. Mr. Beatty said on page 63 of his evidence that on lumber it was 11.70 per cent?—A. That would be of no effect.

Q. Would you say that in view of the 10 per cent reduction on the 1st July?—A. I claim that the railroads, with an advance of 15 and 25 per cent over the old rates should be able to earn a good revenue, and that when they put on that 40 per cent they simply killed the business.

Q. The Interstate Commerce Commission said that they had greatly increased operating costs?—A. But they ought to bring their costs down. We have succeeded in bringing our costs down, but the railroads have not done so in anything like the proportion private companies have, and we claim that they should do so.

By Mr. Hudson:

Q. Mr. McLean, what was the cause of the slump in the price of pulp a year and a half ago?—A. I think there were a variety of causes. I do not know just what the principal cause was, but people evidently got the notion that pulp was much the same as many other things. Pulp was not the only thing to decline.

Q. It did not decline more than anything else?—A. No, I do not think so, I think it shared in the general decline.

By the Chairman:

Q. There was a lessened consumption, not due to freight rates altogether?—A. It was the lessened consumption.

By Mr. Hudson:

Q. Lumber has gone back only 50 per cent?—A. Of course you have to bear in mind that the cost of producing your articles went up very much during the war, and we have not yet been able to get our costs down to our pre-war costs.

[Mr. Angus McLean.]

Q. What about lumber?—A. We have succeeded in reducing our costs on lumber very materially, but we are not down to pre-war costs yet. I say we have reduced the costs on lumber very materially.

Q. I think you said that they were down to pre-war costs?—A. No; I said "At the time our rates were first advanced in 1918 we were able to add the increased cost to our prices and maintain our profits. This condition obtained till about September 1920, when an additional 40 per cent increase was made in freight rates. Almost immediately business collapsed and has remained unprofitable ever since. The selling prices of our commodities have declined since September 1920 over 50 per cent on lumber and over 70 per cent on pulp. We have been able to reduce our manufacturing costs in about the same proportion insofar as our lumber is concerned, but the situation is entirely different on pulp." One big item of expense that has been put upon us in the production of both lumber and pulp is the increased stumpage charges, particularly in the province of New Brunswick. In that province the Government has increased the stumpage charges, and of course many of the supplies we still use in the woods have not come back to a pre-war basis.

By Mr. Macdonald:

Q. Mr. McLean, the problem we have before us as a Committee is that there is an agreement known as the Crowsnest pass agreement by which certain east-bound rates were fixed at certain figures, and certain west-bound rates were fixed at certain other figures. That agreement has been suspended for some time, and the question is whether it should be further suspended or not. The railroads come here and say they are willing to give certain reductions on certain basic commodities in the East, and certain reductions in the West. What do you say to that?—A. What basic commodities? I should think they should make a satisfactory reduction all-round; if they did that, I think it would be proper to take such a reduction.

By Mr. Hudson:

Q. But your theory is that if they did make a reduction it would be to their own advantage, that they would get more business?—A. Certainly, but I think if the railroads would make a general reduction all-round, a satisfactory reduction, that that is the only thing which will revive general prosperity in the country. If they make it only in a certain section and do not make it in others, they will not produce the results.

Q. Your theory is that reductions will increase business?—A. I certainly think so.

Q. Do you apply that to other commodities as well as the commodities that you are peculiarly interested in?—A. Yes. If there is one thing the country needs to-day, it is cheap transportation.

By an hon. Member:

Q. You think the present high rates are stopping industry?—A. I certainly do. I most emphatically think so. I do not think there is any justification for the rates remaining where they are to-day.

By the Chairman:

Q. But reductions would have to be made having in mind the operating results?—A. Mr. Chairman, as to your operating results, if you get the traffic you can reduce operating costs, and that is what we claim.

Q. Of course I know that, but I do not accept the idea that you can get low freight rates and the railways must get the traffic; there are many other factors upsetting business; it is not all a question of freight rates. No doubt that is a very important thing, but people have to buy and sell first, before they can hand anything to a railway?—A. Yes.

[Mr. Angus McLean.]

Q. There is not much building going on in Canada, is there?—A. There is a very large building business going on in the United States.

Q. But apparently we are powerless there?—A. I do not think so. I do not think there is any difficulty at all in getting a satisfactory arrangement in the United States to join in a reduction. I have very good reason to believe that. We are very large shippers in the United States as well as in Canada. We are connected with a number of people in the United States, and we have assurances that people there are prepared to join with us in a reduction.

Q. You are connected with pulp industries in the United States?—A. In the United States as well as in Canada.

By Mr. Macdonald:

Q. They are ready to reduce rates?—A. Yes, sir.

Q. How are they going to reduce operating costs?—A. We have done that in our industry.

By Hon. Mr. Stewart:

Q. You mean to reduce wages?—A. I mean to reduce wages and bring up efficiency. Take our companies; the reason they are not earning a big revenue is because they have not a big traffic.

Q. The reason is that the rates are too high?—A. Yes, bring down the rates, and you will get the traffic.

By an hon. Member:

Q. Is it your opinion that the labour unions have something to do with it?—A. Yes. I do not think the unions should be considered in the matter at all, as far as I am concerned.

By the Chairman:

Q. Do you know Mr. McCrea sitting over there, the man from Sherbrooke?—A. I do; I have that honour. I do not see why we should be dictated to by labour unions.

By Mr. Hudson:

Q. Are you at liberty to tell us what authority you have for saying that you think the American railways would join the Canadian railways?—A. We had one case here recently that we took up, of a certain rate which we claimed was too high, into the United States. We had our connections take that up and try to get it reduced. The railroads said they would see what could be done. It was referred to the railways in Canada, and the answer that was given to the American road was that the rate was not out of the way, and that they were not prepared to join in the reduction.

By Mr. Macdonald:

Q. The Canadian authorities said that?—A. The Canadian authorities said that.

Q. Which railway said it?—A. Our own Government road.

By Hon. Mr. Stewart:

Q. Is it your opinion that the American roads would enter into a general freight reduction if the Canadian roads would do the same?—A. I am strongly of that opinion. The lumber business in Canada and the United States is largely interlocked. There are a great many joint interests in the two countries, and if the railways will co-operate on both sides, we can bring pressure to bear on both sides to bring them to this thing.

Q. Is it a special reduction you are asking for?—A. No, a general reduction. The lumber business is not quite so selfish as that. It only wants what is applied to others.

[Mr. Angus McLean.]

SPECIAL COMMITTEE

Q. The volume of international traffic from Canada to the United States represents but a very small percentage of the total volume of American freight?—A. It is a very big item, in our line.

Q. But I am speaking of general conditions?—A. I cannot tell you what the volume of other lines is, but take our lumbering industry and the pulp industry of Canada to-day, if it were not for the American market we could close up our shops, put up our shutters, and go out of business. The only market we have is the American market.

By Mr. Euler:

Q. Should there be a general reduction all over Canada, without regard to the Crowsnest pass agreement, in addition to that we will say?—A. I cannot say that I can speak very intelligently of the Crowsnest pass agreement, because I am not very conversant with it, but it seems to me that a general reduction in freight rates is something that is going to affect the whole country, not one section only.

Q. In view of the Crowsnest pass agreement not being further suspended, what about the 16.7 on lumber?—A. That would not be sufficient.

Q. You say that that would be of no use?—A. Yes.

By Mr. Macdonald:

Q. You think there should be a greater reduction?—A. I think there should be a greater reduction.

Q. And you say that is absolutely necessary, if the eastern industries are to go on?—A. Yes.

Q. What would be the result upon business conditions if that is not done?—A. We will have to continue, but we will have to continue curtailing our business with the railroads, try to get away from the railroads. We cannot do that entirely, because for five months in the year we have not any water shipments from our port. We cannot use it the year round.

By Mr. Hudson:

Q. Your point is that there is international traffic which has not yet received the benefit of the reduction Mr. Hayes spoke of at all?—A. No, it has not received any reduction.

By the Chairman:

Q. The sixteen and a half has brought us back to the 1918 rate which wipes out the 40 per cent?—A. As far as Canadian traffic is concerned, we claim that we should get the same reduction on international traffic.

An hon. MEMBER: The proposition is, to wipe out the balance of the 40 per cent, provided satisfactory arrangements under the Crowsnest pass agreement are maintained.

Mr. FRANK WATSON: I would like, Mr. Chairman, to emphasize what Mr. Hayes has said in connection with not only pulp and newsprint, but lumber also to the United States. For several months past we have been endeavouring to effect a general reduction, not to New England at all but to Trunk line territory, that is, New York territory. I have attended meetings in New York myself, and have tried to get the principal United States lines to join with us in a reduction, not the wiping out of the 40 per cent entirely, but partially, and I have been told that they will not participate in any reduction from Canada. That was immediately previous to the 10 per cent reduction by the Interstate Commerce Commission. Now the Interstate Commerce Commission has authorized a 10 per cent reduction and that will be effective from Canada to the United States. Beyond that I am satisfied that the United States will not join the Canadian lines in any further reduction, and I would like to have Mr. McLean's authority for stating that they will join in a reduction.

[Mr. Angus McLean.]

By the Chairman:

Q. Have you tried to enlist the lumber shippers in the United States to bring pressure to bear upon the railroads to assist in that movement?

Mr. WATSON: No, sir, I have not. I do not think that that is a duty of the Canadian lines to enlist the sympathy of the shippers in the United States.

By the Chairman:

Q. The shippers would confer with the railroads in Canada who are interested in bringing lumber to the United States, and they could bring pressure to bear upon the American lines?

Mr. WATSON: We have tried it on the pulp and paper industry, but without success.

The WITNESS: I am satisfied that it could be done. I think Mr. Hayes said that they were trying to get that brought about. I think you should try and enlist the sympathies of the shippers in Canada who will get after the people in the United States

By the Chairman:

Q. I think you should do that; you belong to an international corporation?—A. We have never yet failed to find the American roads sympathetic. We are very large shippers in the United States, and we have been sending stuff from the United States to Canada for a great many years past.

Mr. WATSON: I am very fully convinced from negotiations made personally that the United States railroads will not participate in any further reductions beyond what will take effect on July 1st, in the United States.

The CHAIRMAN: Unless there comes an unexpected deflation immediately?

Mr. MACDONALD: Mr. McLean says he ships a great deal of pulp to the western states. I suppose the Grand Trunk hauls it to Montreal and from there to Detroit and other points.

Mr. WATSON: We haul it right through to Kalamazoo and Grand Rapids.

Mr. MACDONALD: Seven-eighths of that haul would be on Canadian lines?

Mr. WATSON: Quite a large proportion is on the Grand Trunk.

Mr. MACDONALD: How do you adjust the freight rates in such a case as that?

Mr. WATSON: It is a joint rate made in conjunction with the United States lines.

Mr. MACDONALD: That is your own lines in the States?

Mr. WATSON: We are under the jurisdiction of the Interstate Commission.

The CHAIRMAN: They control your rates after you cross the boundary?

Mr. WATSON: They do undoubtedly.

The CHAIRMAN: Would they object to a reduction?

Mr. WATSON: They would on this ground: That Canadian lumber, Canadian newsprint and Canadian pulp are in competition with those produced in the United States, and taking for granted the rates prior to this increase—under the increase we were put in a fairly relative position as from Canada to the United States—the United States would naturally say “no, we are not going to encourage the importation of lumber, pulp or paper by giving reduced rates or advocating reduced rates.”

Mr. MACDONALD: They would only have the control of the mileage in the United States.

Mr. WATSON: It is a very difficult thing. Joint rates are established by the Railway Commission, and these rates are divided according to a certain percentage. Roughly speaking, they are divided on mileage, and the percentages are worked out on a mileage basis. It would be almost impossible to reduce our rate to the border and

[Mr. Angus McLean.]

add that reduced rate or a proportion of it to the American lines and make a through rate on that basis. If we published a through rate on that basis the American lines would say "we will not participate in that," and it would resolve itself into this: If we made a reduced rate to the border the American lines would charge their local rate to the border, and it would be far in excess of the through joint rate.

Mr. MACDONALD: I am speaking of the rate we might have upon your own line where the Grand Trunk takes over the Canadian Government lines from Montreal, or where the Canadian Government railways are very likely to be shortly on one line. Do you mean that for the short haulage through Michigan you have to put on a higher rate on the Canadian share of the distance notwithstanding that the Grand Trunk has seven-eighths of the haul?

Mr. WATSON: That is only one instance. There are many instances where the position is reversed where the long haul is in the United States. The whole thing has to be treated in a broad way. You cannot single out certain territories and make lower rates without having a disturbing effect on the whole situation.

The CHAIRMAN: I do not suppose, Mr. McLean, that you have anything further to give us that would be of help to us.

The witness retired.

The CHAIRMAN: The member for Hants (Mr. Martell) wishes to address the Committee.

Mr. MARTELL: Mr. Chairman and gentlemen I may say at the outset that I have two petitions here from fruit growers in the county of Hants which I wish to present to the Committee. These are signed by various orchardists in that constituency, and as the prayer of the petition is short, with your permission, Mr. Chairman, I will read it. (Reads):

"Whereas the present movement for reduced railway rates should be based on the necessity of basic industries to show reasonable profit.

"And whereas the freight rate on apples shipped from Nova Scotia is at present unduly oppressive.

"Therefore resolved that any reduction in freight rates which does not take into consideration the needs of the apple growers and shippers of Nova Scotia would not be regarded as equitable by this meeting.

"We therefore demand that in any lowering of freight rates apples should not be overlooked."

My learned friend the Hon. Mr. Finn who was here this morning representing the Maritime provinces spoke of the love existing in this Committee. I am here in behalf of apples. In the words of Solomon I say "Comfort us with apples because we are sick of love." I have, Mr. Chairman, a statement which I am going to present to this Committee in behalf of my colleagues from Digby-Annapolis (Dr. Lovett) and Mr. Robinson of Kings, N.S. We feel that if anything is done towards the lowering of rates, the apple-growing industry of the province of Nova Scotia should always be borne in mind. With your permission, I am going to read this memorandum which is signed by my colleagues whom I have referred to.

To the Chairman and members of the Special Committee of the House of Commons appointed to consider railway transportation costs.

Mr. Chairman and Gentlemen:

The undersigned feel that it is not necessary for them to call your attention to the fact that fruit growing is one of the basic industries of the province of Nova Scotia, and in fact is one of the most important, if not the most important, in the counties of Hants, Kings, Digby and Annapolis. This industry has suffered greatly

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through excessive freight rates and the object of this memorandum is to set before you a few facts in regard to the matter with the hope that you will be in a position to do something to ameliorate the conditions at present obtaining.

The Hon. F. B. Carvell, P.C., K.C., Chief Railway Commissioner, in his judgment to be found in General Order No. 308, dated the 6th day of September, 1920, states, *inter alia*, as follows:—

“Until the 31st day of December, A.D. 1920, I would give a general increase of 40 per cent in Eastern Freight Rates and 35 per cent in Western Freight Rates.” (Vide Vol. V, No. 13, Pg. 391, Lines 6 and 7, Order 308.)

In the same judgment the Hon. Mr. Carvell says, *inter alia*:—

“Commencing the 1st day of January next, *and until there is another revision of rates*, I will reduce these percentages on freight to 35 per cent in eastern territory.” (Vide Order 308, Vol. X, No. 13, Pg. 391, Lines 12 and 13.)

It will be seen from the foregoing, that by the Order referred to, dated the 6th day of September, A.D. 1920, there was a general increase in freight rates obtaining prior to the date of the order, of 40 per cent in Eastern Canada, with the direction that from the 1st day of January, 1921, the 40 per cent increase cease and be replaced by a rate to be 35 per cent increase over the rates obtaining prior to the date of said Order No. 308. This Order, No. 308, applied to both what are known as Domestic and Export freights.

By General Order No. 350 dated the 24th day of November, A.D. 1921, the increase in freight rates granted by Order No. 308 was reduced so as to make the rates to be charged 25 per cent over the rates in effect prior to the coming into effect of Order No. 308, in so far as domestic rates were concerned. That is to say, the said rates were to be 25 per cent on domestic rate in excess of rates in force prior to September 13th, 1920. This Order became effective December 1st, 1921 (Vide Order 350, Vol. II, No. 17, Page 330, Lines 44-45 and 46 and Lines 1 and 2 et sequitor page 331).

But said General Order, No. 350, made no reduction in export rates in Eastern Canada.

As the counties of Hants, Kings, Annapolis and Digby are within the eastern radius, the effect of these orders is that the rates at present obtaining on fruit are 25 per cent over the rates in effect prior to September 13th, 1920, in so far as domestic freight is concerned, and the freight on fruit for export is 35 per cent over the rates obtaining prior to September 13th, 1920, as fixed by Order 308.

The reason why the reduction provided by Order 350 did not apply to export freights, was, no doubt, due to the transportation companies taking advantage of clause 1 of General Order 350 herein before referred to, wherein it is stated that the reduction is on domestic freights within Canada, etc.

Unquestionably this is due to the fact that in Order No. 350 the Commissioners did not expressly state “all commodities,” and the railway companies, in virtue of the fact that domestic rates were expressly stated took advantage of the well known legal maxim: “*Expressio unius est exclusio alterius*,” (the expression of the one is the exclusion of the other) and gave no reduction to export rates. This was to be expected, when one realizes that railway companies will grant nothing to the public that the law of the land does not compel.

Reference to the Orders hereinbefore referred to will show explicitly that the reason for granting of the increases was in order to enable the railways—owing to the extraordinary conditions, alleged to obtain at the time of the application and the granting of the order—to receive sufficient rates to make the carrying of freight a profitable business proposition.

It will be gathered from the general tenor of the orders referred to that the reason for giving a greater reduction on domestic freight than on export freight was

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owing to the competition of American railways and American ports. No doubt the reduced domestic rates were all sufficient for the companies' purposes even if there had been no competition, but why the Railway Commission granted a certain reduction on domestic traffic over the same line, running through the same territory, the undersigned are at a loss to understand. In this connection the undersigned refer particularly to "export freight." As the rates stand at the present time, fruit shipped over the Dominion Atlantic Railway as domestic freight gets a 10 per cent greater reduction on rates than does fruit shipped over the same line to Halifax from points like Annapolis, Middleton, Berwick, Kentville, Hantsport and Windsor for export. A great deal of this fruit which is shipped as domestic freight is sent in small lots, whereas fruit intended for export always goes in carload lots, thus saving considerable handling, and it can be carried at less expense to the transportation companies than most fruits under domestic rates. Moreover, if the fruit industry of Nova Scotia had to depend upon the internal or domestic trade—whilst it is valuable—the market would be very limited.

Appended hereto will be found a statement of the distribution of the apple crop for the province of Nova Scotia for the year 1921-22."

I will refer to that distribution and to the rates a little later on.

Domestic freights, as regards apples, are also unduly exorbitant, so much so that fruit growers are beginning to find the charges irksome, burdensome and in great derogation of the industry. The reduction of rates in fruit by the railway companies, intended for both domestic and the foreign trade has not in any way been such as to very materially aid the industry. The ocean transportation companies, whilst their rates are high, have been more generous to the industry, for at the time the embargo on apples going to England was lifted, the ocean rates on barrels of apples from Halifax, Nova Scotia, to points in England was \$5.00 per barrel; later on in the season it was reduced to \$2.50 per barrel and at the beginning of the present season was further reduced to \$1.25 per barrel. From this and by reference to the Table of Rates charged by the Railway companies hereto appended, it will be seen that the reduction by the Ocean Transportation Companies is absolutely out of all comparison with the reductions that have been made by the railways and will also further demonstrate the fact that the freight rates of the railways are excessive. It is submitted by the undersigned that the rates authorized by the Board for domestic traffic within the eastern divisions are more than sufficient to enable the Companies to receive a large dividend on their investment. Therefore the rates on fruit, that is to say apples, intended for export, particularly fruit in carload lots, should in the first instance be reduced by the same percentage as the domestic rate was by Order 350, owing to the fact that it costs the companies less to handle Nova Scotia fruit intended for the export trade, and this is particularly the case as regards freight moving from the counties of Digby, Annapolis, Kings, and Hants to Halifax, and this reduction having been made in the export rates, then there should be a substantial general reduction on fruit rates generally for the Province of Nova Scotia.

It is further submitted that if the reason for having these larger export rates is the lack of competition, the principle is vicious in the extreme, because if such a reason is permitted to obtain it would mean that transportation companies, where they have no competition will be permitted to mulct the general public and laden industry with burdens grievous to be borne, in the way of freight rates.

By the Chairman:

Q. Mr. Hayes, are apples ever on the commodity list?

MR. HAYES: In some cases they are on the commodity basis. Generally they are handled as a class basis.

[Mr. Martell, M.P.]

By the Chairman:

Q. Long hauls?

Mr. HAYES: Long haul commodity.

Mr. MARTELL: I will give you the rates in a few minutes to show your inconsistent rates. I don't expect much sympathy from the transportation companies. I am putting the peoples' side up.

It is an old maxim that "competition is the life of trade," and where transportation companies have the railway Commission to appeal to to fix their rates, and the general tenor of the decision of the Railway Commission is such as to give the undoubted and irrefutable impression that rates are fixed with a view to permitting the transportation companies to earn large, if not excessive dividends on excessive freights, where there is competition, then why cannot the same rates obtain over the same line when the goods are intended for export and are transported in such a manner as to cost the transportation companies in many cases much less expense than freights called domestic freights.

On reference to the evidence of Mr. Edward Beatty, President of the Canadian Pacific Railway, which is to be found in Part 2 of the official evidence, taken by the special Committee appointed to consider Railway Transportation Costs, it will be found that Mr. Edward Beatty offered as a proposed alternative to the Crowsnest pass agreement that the railways would grant certain reductions on what has been determined "basic commodities". On inquiry by an hon. member of the House and of the Committee as to whether or not fruit was to be regarded in the proposed alternative as a basic commodity, Mr. Beatty replied that fruit was not. The undersigned submits that this was a very erroneous statement to make if one regards things to be basic industries which are truly basic industries and not restrict as Mr. Beatty would like to restrict. If there is one industry which affects western Nova Scotia, in particular, it is the apple growing industry. It is an important industry to the people of western Nova Scotia, and the undersigned submits it should receive every possible encouragement. Lumber, coal mining, potato raising, etc., are regarded by Mr. Beatty as basic industries, and how he can make an argument for the elimination of apple raising and shipping from the list of basic industries, the undersigned are at a loss to understand and feel quite confident that any argument made along that line by him in behalf of his company is ridiculous or is intended, so far as Nova Scotia is concerned, to enable the Dominion Atlantic Railway to mulct the orchardists by excessive railway freight rates. Fruit is a perishable article and the orchardists are compelled to ship it within a certain time and to certain markets. This is the case of the apple growers in Nova Scotia. In the Province of Nova Scotia they are at the mercy of the Dominion Atlantic Railway, which has no competition, owing to the fact that there is no other railway running through the fruit growing sections of that Province.

Now, the longest distance when the fruit was taken for export is 130.85 miles from Annapolis to Halifax. The shortest is from Windsor to Halifax, 47.32 miles. Previous to the coming into force of the order 308, the rates for domestic apples, that is apples intended for domestic consumption, Windsor to Halifax, was 17½ cents per barrel. After the order 308 it rose to 24½ cents; then it came down to 23½ cents; to-day it is 22 cents. While the fruit for export, which goes in carloads, the farmer has to pack the cars or load the cars. They are taken up to the warehouses which are owned by farmers, co-operative societies; they put their own men to work; they load these cars; they are taken to the city of Halifax and they are put aboard a Furness-Withy or other boats to England, the farmers paying the switching and terminal and all other charges, whereas you might only send six or seven or eight barrels, where they go on the ordinary transportation car and receive the less rate. Moreover it is asserted by the undersigned, without fear of successful contradiction,

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that the rates charged by the Dominion Atlantic Railway on fruits, known as domestic freights, are more than sufficient to pay them a legitimate return and they are a great burden on the orchardists. These freight rates should be reduced and the export rates should receive a much greater cut if the fruit industry in the Province of Nova Scotia is to survive.

It is further submitted that the shippers are also compelled to pay switching rates and any other terminal charges involved. Moreover the railway companies in every wise contract and sell out of contingencies, either ordinary or extraordinary, which probably would arise in transit, so as to make their liability very little, such as loss by fire, frost or otherwise, and by deterioration. The only way one can get at the companies—they have so protected themselves by contracting out of their common law liability—is by proving the crassest negligence, which it is often very difficult to do. In fact the orchardist takes all losses and pays the shot and the railways take the money.

To use the statement of one prominent apple grower in Nova Scotia: "When we pay for spraying, fertilizer, ploughing and harrowing, then picking, packing and barrels, and last but not least, for marketing and freight, which amounts to 15 shillings per barrel, there is not much left for the orchardist." No daylight saving time for him. It can thus be seen that if the fruit industry is to be made in any way profitable to the orchardist, drastic reductions in railway rates must take place.

To recapitulate, we ask—

1. That Order 350 of the Railway Board be made to apply to fruit for export.
2. That rates be made to apply on the Dominion Atlantic Railway, where there is no competition, in the same way as if there was competition.
3. That fruit must be regarded as a basic industry and entitled on that ground to preferential treatment apart from the general system of reduction in railway rates.

We append hereto a list of distance from the leading places in the fruit-growing district to Halifax, the port of export.

All of which is respectfully submitted in behalf of our constituents.

(Signed) L. H. Martell,
M.P. for Hants.

L. J. Lovett,
M.P. for Digby-Annapolis.

Ernest Robinson,
M.P. for Kings.

D. A. Ry.

Annapolis to Halifax	130.85	
Middleton to Halifax	103.24	
Waterville to Halifax	82	(Approx.)
Kentville to Halifax	72.38	
Hantsport to Halifax	54.32	
Windsor to Halifax	47.32	
Midland Division (Windsor to Truro)	58.	(Approx.)

I. C. Ry.

Halifax to Montreal	841.8
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RATES ON APPLES—CARLOADS.

To HALIFAX, N.S. (For Export)

From:	Rates in cents per barrel									
	Previous to Sept. 13, 1920		Sept. 13, 1920		Jan. 1, 1921		Dec. 1, 1921		May 31, 1922	
		D.A.R. C.R.C.		Sup. 2		D.A.R. C.R.C.		C.R.C.		C.R.C.
Annapolis Royal, N.S.	30	632	42	632	40½	670	40½	670	40½	670
Middleton, "	30		42		40½		42		42	
Berwick, "	27½		38½		37		37		37	
Kentville, "	26		36½		35		35		35	
Hantsport, "	23		32		31		31		31	
Windsor, "	23		32		31		31		31	

To HALIFAX, N.S. (Domestic)

	Rates in cents per 100 lbs.									
	Previous to Sept. 13, 1920		Sept. 13, 1920		Jan. 1, 1921		Dec. 1, 1921		May 31, 1922	
		Sup. 2		Sup. 2		Sup. 2		Sup. 2		Sup. 2
Annapolis Royal, N.S.	25½	577	35½	577	34½	650	32	690	32	690
Middleton, "	24½		34½		33		30½		30½	
Berwick, "	22		31		29½		27½		27½	
Kentville, "	20		28		27		25		25	
Hantsport, "	17½		24½		23½		22		22	
Windsor, "	17½		24½		23½		22		22	

To MONTREAL, Que. (Domestic)

	Rates in cents per 100 lbs.									
	Previous to Sept. 13, 1920		Sept. 13, 1920		Jan. 1, 1921		Dec. 1, 1921		May 31, 1922	
		Sup. 4		Sup. 4		Sup. 4		Sup. 4		Sup. 4
Annapolis Royal, N.S.	55	604	77	604	74½	669	69	702	69	702
Middleton, "	54		75½		73		67½		67½	
Berwick, "	52		73		70		65		65	
Kentville, "	51		71½		69		64		64	
Hantsport, "	47½		66½		64		59½		59½	
Windsor, "	46½		65		63		58		58	

To TORONTO, Ont. (Domestic)

	Rates in cents per 100 lbs.									
	Previous to Sept. 13, 1920		Sept. 13, 1920		Jan. 1, 1921		Dec. 1, 1921		May 31, 1922	
		Sup. 18		Sup. 19		Sup. 20		Sup. 23		Sup. 24
Annapolis Royal, N.S.	69	490	96	490	92½	490	86	490	86	490
Middleton, "	72		101		97		84½		84½	
Berwick, "	70½		98½		95		83		83	
Kentville, "	69		96½		93		86½		86½	
Hantsport, "	67½		94½		91		84½		84½	
Windsor, "	66½		93		90		83		83	

To WINNIPEG, Man. (Domestic)

Via Truro, N.S. From:	Rates in cents per 100 lbs.									
	Previous to Sept. 13, 1920		Sept. 23, 1920		Jan. 1, 1921		Dec. 1, 1921		May 31, 1922	
		C.F.A. C.R.C.		C.F.A. C.R.C.		C.F.A. C.R.C.		C.F.A. C.R.C.		C.F.A. C.R.C.
Annapolis, Royal N.S.	119	19	165	52	159½	61	147½	88	147½	88
Middleton, "	118		164		158		146		146	
Berwick, "	116		161		155		143½		143½	
Kentville, "	115		159½		154		142½		142½	
Hantsport, "	111½		154½		149		138		138	
Windsor, "	110½		153½		148		136½		136½	

[Mr. Martell, M.P.]

SPECIAL COMMITTEE

ALL RAIL VIA TRURO:

	Cars	Barrels
To Points		
West of Great Lakes.....	16	3,364
In Ontario.....	268	56,284
“ Quebec.....	576	120,964
“ New Brunswick.....	57	11,974
“ Nova Scotia.....	141	29,614
“ Newfoundland (via Sydney).....	2	424
“ United States.....	177	37,173
	1,237	259,797

EXPORTED VIA HALIFAX

	Barrels	Boxes	Half-brls.
London.....	290,494	3,489	3,552
Liverpool.....	276,072	1,784	198
Manchester.....	254,678	1,430	44
Glasgow.....	158,251	251	36
Avonmouth.....	28,552	216	0
Cardiff.....	26,991	87	0
Hull.....	53,303	287	14
West Indies.....	5,287	0	1
Newfoundland.....	14,582	6	0
Boston.....	4,353	0	0
New York.....	2,471	0	0
Total.....	1,115,034	7,550	3,845
LOCAL SHIPMENTS TO			
Halifax.....	29,739	2,270	0
Truro.....	3,000	0	0
Yarmouth.....	5,275	0	0
Digby to St. John.....	1,991	0	0
Total.....	40,005	2,270	0
Via Yarmouth to Boston.....	68,550	733	(baskets) 3,627
“ Kingsport to U.S.A.....	13,262	0	0
“ Wolfville to U.S.A.....	3,400	0	0
Total.....	85,212	733	3,627
Canning factories.....	25,500	0	0
Evaporators.....	122,079	0	0
Cider and Vinegar Factories.....	47,000	0	0
Less, hand led by teams.....	194,579	0	0
Total.....	50,000	0	0
Total handled over D.A.R.—1,644,627 barrels, 10,553 boxes, 3,845 half-barrels and 3,627 baskets.			
Handled by teams to Cider mills, Evaporators and canning factories (est'd).....	50,000	0	0
Handled over C.N.R. (H. & S.W. Division)—			
Export via Halifax.....	92,732	0	0
To Canadian markets.....	40,150	0	0
For U.S. Points.....	4,819	0	0
Total.....	137,701	0	0
Handled by packets.....	30,481	0	0
Home consumption (estimated).....	200,000	0	0

TOTAL CROP—2,062,809 barrels, 10,553 boxes, 3,845 half-brls. and 3,627 baskets.

That in brief is the contention which is being put up by my colleagues from Annapolis, Digby, Kings and on behalf of myself.

By the Chairman:

Q. What is the weight of a barrel of apples?—A. 155 pounds, about 20 pounds being taken off for the barrel; the barrel weighs about 20 pounds. I have here also a memorandum which purports to the resolution passed by the fruit growers of Hants County, which was submitted to me a day or so ago, (reads):

MEMORANDUM FROM HANTS COUNTY FRUIT GROWERS.

"Whereas the Fruit Industry of Nova Scotia along the line of the D. A. R. is a very important one to the Province of Nova Scotia and to Canada, representing many millions of capital invested, giving employment to thousands of people throughout the entire year. Creating immense dividends for fertilizers, agricultural machinery, apple barrels, boxes which are manufactured in Canada.

"And whereas the products of the orchards of this Fruit District, are sold largely in European markets, in competition with similar fruit from other countries, the price is not in any way controlled by the Nova Scotia Fruit Growers and Shippers. And it is not only one of our principal industries, but is the chief item of freight carried by the D. A. Railway.

"The Farmers and Fruit Growers in view of the fact that our Fruit Industry is the chief feeder of the railway, and we are in competition with the world in the marketing of our product and from the further fact that the increased rates come almost entirely from the producers and also from the further fact that the success of the railway depends upon the success of the Fruit Growers.

"We therefore feel that the increase of rates during recent years on the D. A. Railway has been excessive, and is placing in danger the Fruit Industry of this Province. A barrel of apples carried over the D. A. Railway from Kentville to Halifax in 1907 cost 14½ cents per barrel in carload lots. In 1921 it costs 35 cents, an increase of 58½ per cent affecting shipping at every point along the line. And for the total production of apples for 1921, an increase of over one-half million dollars was paid the D. A. Railway over and above what it would have been in 1907. And we still have to pay the ocean freight and railway freight rates outside the province.

"And whereas the D. A. R. and the C. P. R. carry our fruit, the apple growers of Hants County ask, that the general freight reduction be applied to apples for export and that apples be included in the preferential freight rate reduction, which will in addition to general reduction apply to apples for export.

"For reasons as hereinabove stated, the apple growers of Hants County, Nova Scotia, passed the following resolution, at a meeting held by them at Windsor, Hants County, Nova Scotia, May 29, 1922."

I feel I need not urge that any further, Mr. Chairman. The petitions are here. Our statement is here containing the figures, and I submit they are authentic. I also tender in evidence the resolution of the Hants County Fruit Growers. I will pass from the question of fruit rates to another matter.

By Mr. Macdonald:

Q. Before you leave that, Mr. Martell. You spoke about local freight rates being so much per barrel?—A. Yes.

Q. Does that mean barrels in carload lots?—A. Yes, the export freight is so much higher than the domestic freight; that is one of our reasons for complaint.

There is another matter as regards fruit growing in which we are vitally concerned, and that is the rate charged by the railways on nitrate of soda. Nitrate of soda is a matter that enters into the question of fertilizer for fruit trees, and I submit this memorandum, which is very brief, on behalf of my colleagues to whom I have

[Mr. Martell, M.P.]

already referred. I might further say that some time ago I called upon Mr. Carvell, the Chief Railway Commissioner, and he thoroughly agreed with my argument, but thought he did not want to make a change this year owing to the fact that some nitrate had already been shipped, and to permit a change would cause a great deal of financial harm to other companies. (Reads):

"In addition to the rates on fruit there is, at the present time, a great amount of dissatisfaction concerning rates which are charged by the railways on nitrate of soda, when used for the use of horticulturists. The present arrangement is not at all fair to the apple growers of Nova Scotia. Prior to the war, nitrate of soda, in the freight classification, was put on the same basis as all other fertilizer, but as this material was used in making explosives, it was given a higher classification during war times, on that account.

"There is, in Nova Scotia, a large demand for nitrate of soda, which is used in all the orchards in the Annapolis Valley. The extent of this demand may be shown by the fact that the Colonial Fertilizer Company of Windsor, Nova Scotia, distributes thousands of tons annually, having had, in fact, orders for over two thousand gross tons for delivery early in May.

"Some time ago, at a hearing before the Railway Commission sitting at St. John, there was a revision of their classification, which allowed the shipment of a car to be billed as fertilizer provided it did not contain more than 25 per cent of nitrate of soda. This satisfied the shippers of fertilizer in New Brunswick, where there is no large demand for nitrate of soda, but it does not cover the situation in Nova Scotia, where one Company alone ships out at least one hundred straight carloads to the fruit growers.

"The matter has been taken up with the Dominion Atlantic Railway" (Gentlemen, if you were down there and had to deal with the Dominion Atlantic Railway, you would realize what we are up against. I am sorry to say that the manager, who is an old official of the C.P.R., is an importation from Windsor) "but they have declined to make any change, and the result is that farmers are compelled to pay the added rate on nitrate of soda, which is about 2½ times the regular rate on fertilizer.

"It seems that in all these cases the railway companies are not prepared to meet the fruit growers half way and it is submitted that rates on things which are vital for the keeping going of an important industry, should receive special consideration, and it is submitted that the Committee should recommend to Parliament that directions in the shape of a Statute be given to the Board of Railway Commissioners in this regard, unless Parliament undertakes, of its own volition, to fix a legitimate rate."

I am not going to worry you any further, gentlemen. I do not know whether I have made my case particularly plain to you or not. I think I have stated that what we want is Order No. 350 to apply to export as well as domestic rates in so far as the fruit industry of Nova Scotia is concerned, for the reasons I have set out, and we submit that is a reasonable requirement. Then having got that for the export trade and fruit, we submit that any reductions which are made, either as the result of the suspension of the Crowsnest pass agreement or by keeping the Crowsnest pass agreement in vogue and by compelling the railway companies to give us other concessions, fruit should be regarded as a basic industry and should receive the preferential treatment which it is asserted may be given to basic industries. I am not advocating either the suspension or retention of the Crowsnest pass agreement. My only feeling in regard to it is this, that in so far as the Crowsnest pass agreement is concerned, we should primarily look not to the east, not to the west, not to middle Canada, but should, as far as possible, extract from the railway companies, irrespective of what may be upon the Statute book, rates that will enable the industries of the east to grow and become prosperous as well as the industries of western Canada.

The CHAIRMAN: Does anybody desire to ask Mr. Martell any questions? Mr. Hayes, you know the Dominion Atlantic Railway?

Mr. HAYES: I am not personally familiar with the situation there.

The CHAIRMAN: That is so.

[Mr. Martell, M.P.]

Gentlemen, that concludes our work for today. On Saturday I advised the Transportation Branch of the Toronto Board of Trade that we would hear their representatives tomorrow if they so desire. The Toronto Livestock Association asked to be heard some days ago, and they also have been advised that we shall hear them. We had a meeting of the Special Committee, and the Committee concurred in that. I am not sure whether these two bodies will have their representatives here tomorrow or not. If not, we might proceed with the evidence of the railway men, moving towards a conclusion of our proceedings.

Mr. Flintoff, Mr. Lanigan is going to make a statement, is he not?

Mr. FLINTOFF: Yes. I hardly think he will be ready to go on tomorrow morning. He expected that he would not be called upon until Wednesday at the earliest.

The CHAIRMAN: We are in this peculiar position, that if these people come from Toronto—I have had no advice from them today—it would be too bad to disappoint them. If they do not appear here at eleven o'clock, I suppose the only thing we can do is to adjourn until the next day; it will not inconvenience the members very much.

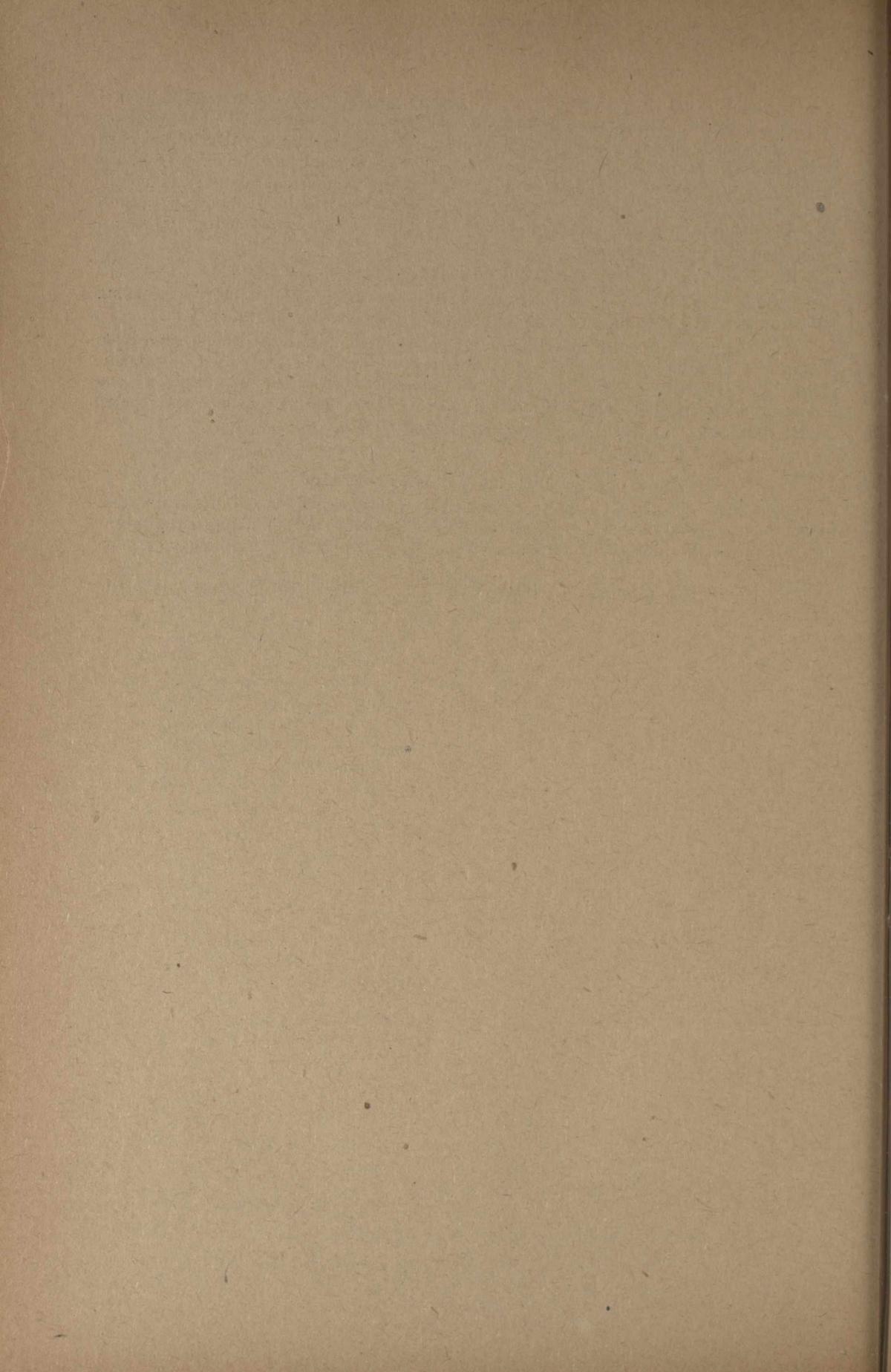
Mr. HUDSON: Is Mr. Hanna going to reappear before the Committee?

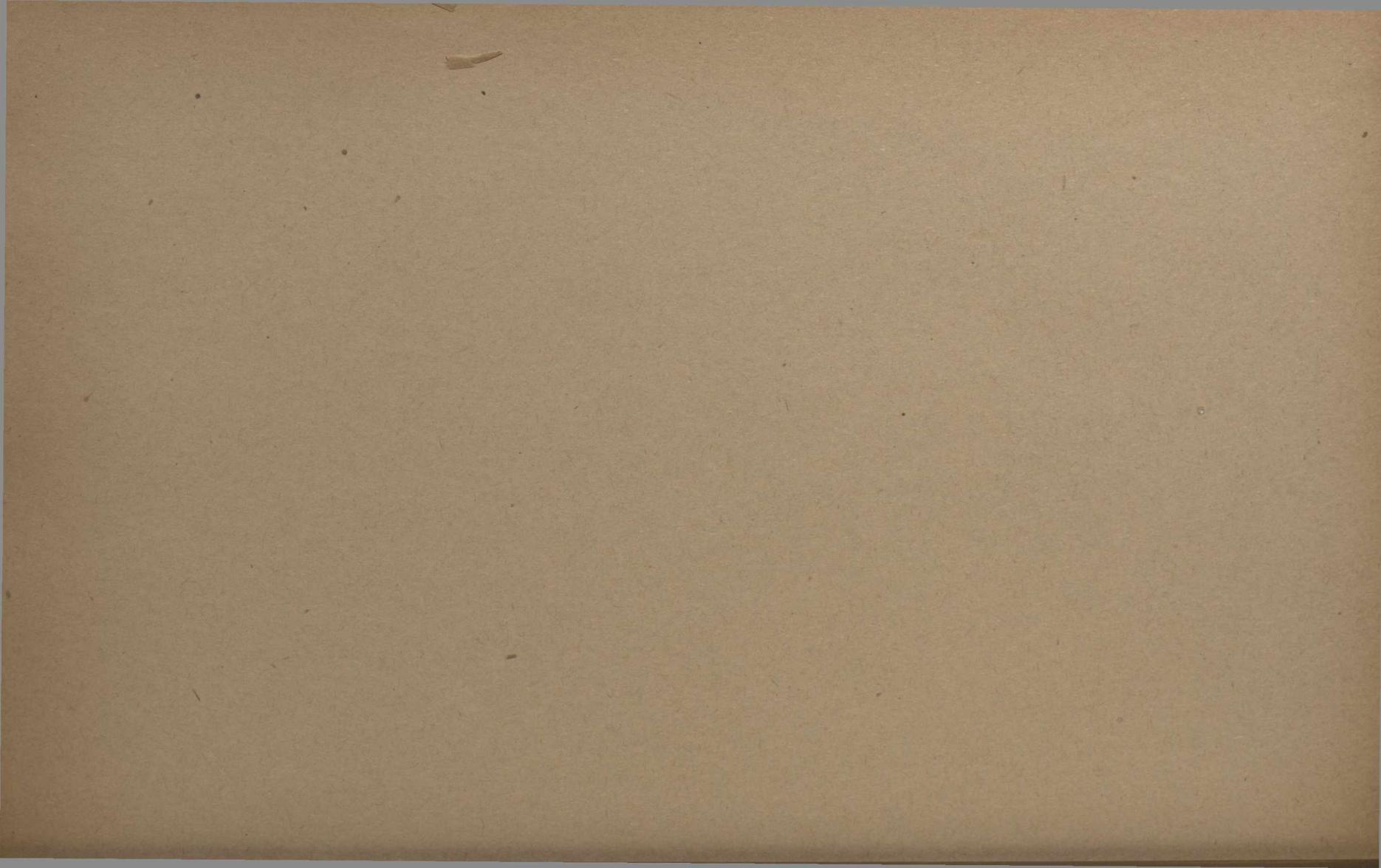
The CHAIRMAN: Yes.

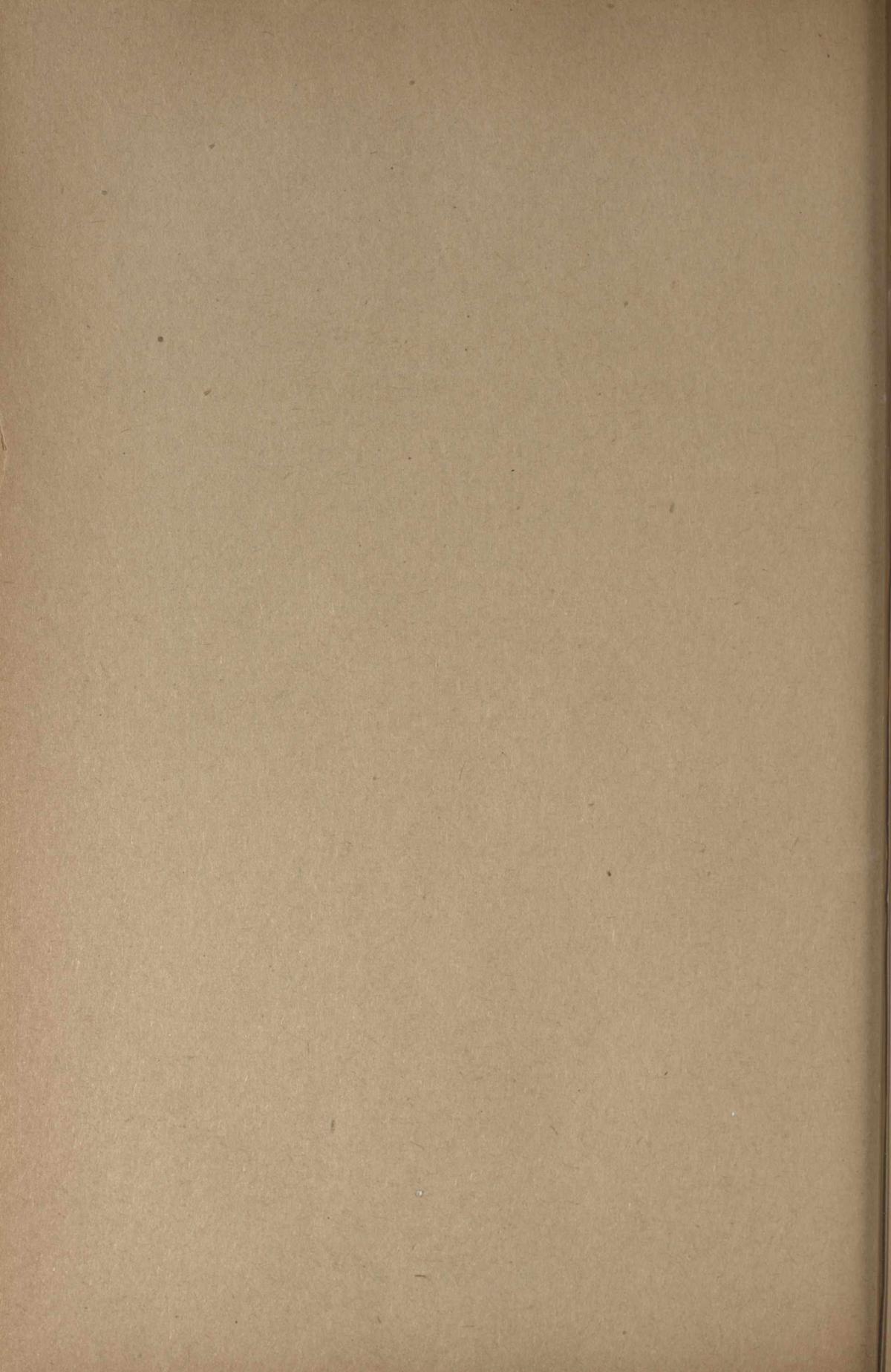
Mr. HUDSON: Will the Committee fix a time to hear him?

The CHAIRMAN: I think the representatives of both railways who are to reappear before the Committee should be ready by Wednesday, and we should finish the taking of evidence or the hearing of statements some time this week, by Thursday, I hope.

The Committee adjourned at 10.30 o'clock p.m. until 11.00 o'clock a.m. tomorrow morning.







OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 11—TUESDAY, JUNE 6, 1922

NAMES OF WITNESSES

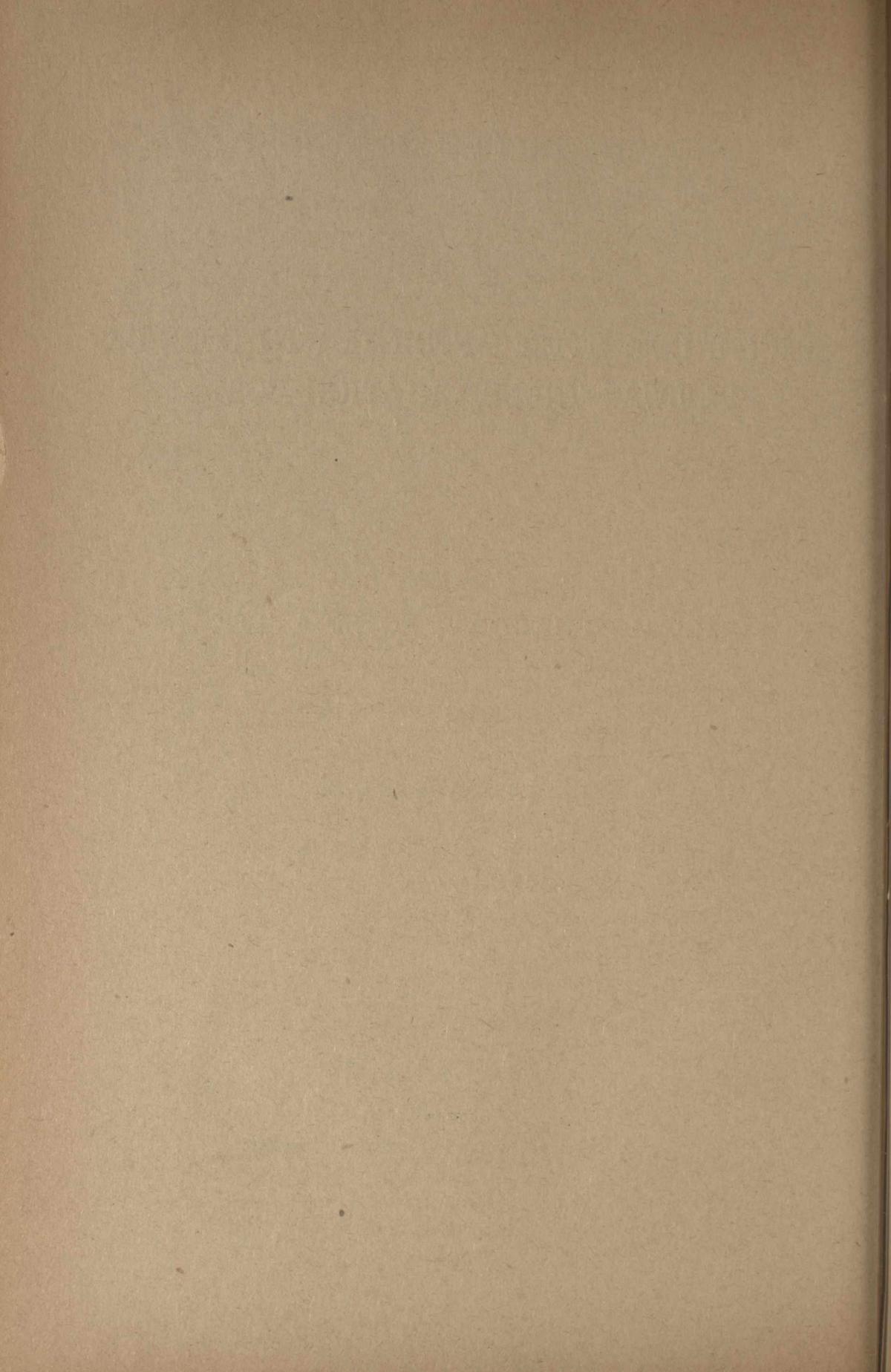
Mr. Clark, Canadian Lumbermen's Association.

T. Marshall, Board of Trade, Toronto.

Mr. Watson, Grand Trunk Railway.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922



COMMITTEE ROOM 425,

HOUSE OF COMMONS,

TUESDAY, June 6, 1922.

The Select Standing Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural developments and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: I have some communications here which I should like to put into the record, which will take a considerable time to read, so I think with your concurrence I shall just hand them to the reporter. One is a telegram from the Winnipeg Board of Trade addressed to Mr. Hudson. Another is a letter from the Hamilton Chamber of Commerce; another from the Montreal Board of Trade; another from the Canadian Pulp and Paper Association.

WINNIPEG, Man., May 31, 1922.

A. B. HUDSON, K.C., M.P.,
Ottawa, Ont.

The shippers bureau of the Winnipeg Board of Trade in meeting assembled this afternoon unanimously adopted the following resolution that the Crowsnest pass agreement be revived on the sixth day of July, 1922, as we deem this essential not only for the prosperity of Western Canada but for all Canada. Letter following.

W. E. MILNER,
Winnipeg Board of Trade.

THE HAMILTON CHAMBER OF COMMERCE,

HAMILTON, CANADA, May 30, 1922.

HON. A. K. MACLEAN,
Parliament Bldg.,
Ottawa, Ont.

SIR,—The Board of Directors who have approved the report of the Transportation Committee re Crowsnest pass agreement have instructed me to write you setting forth their opinion regarding this matter as follows:—

1. They are opposed to having the Crowsnest pass agreement re-enacted at this time and feel that the suspension should be further extended.

2. They are in favour of the proposition to reduce the rates on basic commodities and grain.

3. With reference to a general reduction in rates, the Committee would draw your attention to the recent order of the United States' Labour Board effective July 1, giving a material reduction in wages, thus putting the railway wage scale back to where it was before the \$600,000,000 increase of May, 1920, which was the cause of the 40 per cent increase in eastern territory and 35 per cent increase in western territory freight rates. These increases apply to Canadian railroads and will no doubt automatically be applied in Canada after July 1 this year.

In view of the railways' arguments for the 40 per cent increase in Eastern Canada and 35 per cent in Western Canada in September, 1920, it is felt by this committee that an effort should be made to eliminate these increases, as the reasons for which they were granted will not exist after July 1, 1922, and a general reduction of freight rates in Canada should be made not later than July 1, 1922.

I have the honour to be, Sir,

Your obedient servant,

D. McLEAN,
Manager Transportation Dept.

THE MONTREAL BOARD OF TRADE,

MONTREAL, June 5, 1922.

Honourable A. K. MACLEAN,

Chairman, Special Committee of the House of Commons on
Railway Transportation,
Ottawa.

SIR,—The Montreal Board of Trade Transportation Bureau has no desire to oppose shippers of any commodity in any part of the country in their efforts to secure reductions in freight rates, provided such local or restricted reductions do not retard or prevent the return to a more normal basis of rates general throughout the Dominion.

If by reason of the serious shrinkage of railway revenue involved in the restoration of the rates fixed by the Crowsnest pass agreement the railways are prevented from making substantial reductions in rates throughout the Dominion, this bureau would strongly urge that that agreement be further suspended, because the general advantage of all should be placed above the interests of any group or section, and there is no doubt that general reductions in freight rates shared, of course, by those located in the territory covered by the Crowsnest pass agreement would benefit the country at large much more than a locally applied cut however sweeping it might be.

This bureau is of opinion that lower freight rates will stimulate traffic and increase tonnage to the benefit of the railways, and it considers that the time has come when freight rates, especially on commodities, should be reduced to the basis fixed by Order in Council P.C. 1863, July, 1918.

I have the honour to be, Sir,

Your obedient servant,

JNO. K. SMITH,
Manager.

CANADIAN PULP AND PAPER ASSOCIATION, DRUMMOND BUILDING,

MONTREAL, June 2, 1922.

To the Select Committee of Parliament on Railway Transportation Rates,
House of Commons,
Ottawa, Ontario.

Gentlemen,—This Association, comprising the principal producers of pulp and paper in Canada, desires respectfully to place itself on record with your Committee as favouring a restoration of railway freight rates to the basis of those prevailing prior to September 13th, 1920.

In support of our position we present:

1. That the present high rates are unwarranted by the existing economic conditions and constitute an intolerable drag upon industry and trade in general and upon the industry represented by this Association in particular.

2. That in order to conform to the now prevailing conditions, the pulp and paper manufacturers of Canada have been obliged to reduce the average selling price of their manufactured products by over 54 per cent as compared with the selling prices obtaining in September, 1920.

3. That in bringing about these reductions, the value of raw materials purchased on a high market have been written down to conform to present values which range from 10 per cent to 69 per cent and average 42 per cent below those of the peak period.

4. That conditions in the industry have forced a reduction in the wages paid to labour, amounting, in some instances, to as much as 37.9 per cent compared with the rates prevailing in September, 1920.

5. That notwithstanding a gross reduction of over 38 per cent thus achieved in production costs the percentage of such costs as represented by freight charges on raw materials has *increased from 11.26 per cent in September, 1920, to 22.89 per cent at the present time.*

6. That despite these drastic reductions our selling prices of necessity are still too high to permit a resumption of business on a normal basis owing to the excessive freight rates. This industry is subjected to keen competition from Europe which, under existing conditions, it is impossible to meet despite the most rigid economies within our control. The outstanding factor that stands in the way of further price readjustment is transportation costs.

7. That no good reason exists why railway earnings and railway wages should be held to be immune to the general economic conditions and That, on the contrary, the railways should be required to reduce their costs in accordance with the universal practice; That only when this is done will adequate relief be afforded to those industries now languishing because of excessive freight rates.

8. That the suggestion made to your Committee that reduction in freight charges, if any, should be limited in their application to a select list of so-called basic commodities, as proposed, would be altogether inadequate to afford the required relief as applied to our own industry because while it would benefit to the extent that it would affect the cost of coal and pulpwood, it would still leave unaffected such commodities as woodpulp, limestone, lime, alum, sulphur, waste, rags, rosin, salt, bleaching powder and other commodities used extensively in the manufacture of our products and vitally affected by the present freight rates.

We submit that it is obvious from the foregoing facts that while our industry has been compelled to adjust production costs and selling prices to meet the necessities of the times, transportation charges, (one of the most important items entering into manufacturing costs) remain at substantially the peak level created by the war and the abnormal conditions which immediately followed.

We believe it urgently necessary that freight rates in Canada should be restored to the basis prevalent prior to September 13th, 1920, which, while wiping out the balance now remaining of the increases allowed the railways at that time, would still leave them on a basis of approximately 42 per cent above the pre-war level.

If desired, we are prepared to appear before your Committee to substantiate or enlarge upon the statement above set forth.

Most respectfully,

CANADIAN PULP AND PAPER ASSOCIATION,

Geo. M. McKee,

President.

Edward Beck,

Secretary.

The CHAIRMAN: I also desire to put into the record a statement from the Canadian Pacific Railway showing the number of employees in 1921 and 1920.

CANADIAN PACIFIC RAILWAY COMPANY

AVERAGE NUMBER OF EMPLOYEES

Class of Employees	Year ending	Year ending	Increase* or Decrease
	Oct. 31, 1920	Oct. 31, 1921	
1. General officers..	285	308	23*
2. Division officers..	371	406	35*
3. Clerks..	6,123	5,980	143
4. Messengers and attendants..	210	223	13*
5. Assistant engineers and draftsmen	132	110	22
6. M.W. & S. foreman (excluding Nos. 7 and 24)..	289	237	52
7. Section foremen..	2,075	2,073	2
8. General foremen, M.E. Dept..	19	24	5*
9. Gang and other foremen, M.E. Dept.	697	691	6
10. Machinists..	1,811	1,573	238
11. Boilermakers..	522	427	95
12. Blacksmiths..	280	241	39
13. Masons and bricklayers..	21	17	4
14. Carpenters..	2,854	2,215	639
15. Painters and upholsterers..	809	579	230
16. Electricians..	205	182	23
17. Air-brake men..	111	97	14
18. Car inspectors..	412	402	10
19. Car repairers..	1,482	1,192	290
20. Other skilled labourers..	3,184	2,533	651
21. Mechanics' helpers and apprentices	4,218	3,252	966
22. Section men..	6,360	6,069	291
23. Other unskilled labourers..	6,159	5,755	404
24. Foremen of construction gangs and work trains..	67	82	15*
25. Other men in construction gangs and work trains..	1,113	1,606	493*
26. Travelling agents and solicitors....	162	209	47*
27. Employees in outside agencies..	63	78	15*
28. Other traffic employees..	4	4	..
29. Train despatchers and directors..	182	183	1*
30. Telegraphers, telephoners and block operators..	944	836	108
31. Telegraphers and telephoners oper- ating interlockers..	26	27	1*
32. Levermen (non-telegraphers)..	189	171	18
33. Telegrapher-clerks..	104	82	22
34. Agent-telegraphers..	1,079	1,089	10*
35. Station agents (nos-telegraphers)..	197	193	4
36. Station masters and assistants..	18	17	1
37. Station service (except Nos. 33, 34, 35, 36 and 60)..	4,888	3,869	1,019
38. Yard masters..	125	113	12
39. Yardmasters' assistants (not yard clerks)..	46	42	4
40. Yard engineers and motormen..	534	400	134
41. Yard firemen and helpers..	564	421	143
42. Yard conductors (or foremen)..	536	450	86
43. Yard brakemen (switchmen or helpers)..	1,228	1,077	151
44. Yard switch tenders..	144	121	23
45. Other yard employees..	191	140	51
46. Hostlers..	401	325	76
47. Enginehouse-men..	1,411	1,182	229
48. Road freight engineers and motor- men..	1,293	1,022	271
49. Road freight firemen and helpers	1,469	1,184	285
50. Road freight conductors..	1,015	792	223
51. Road freight brakemen and flag- men..	2,218	1,823	395
52. Road passenger engineers and motor- men..	438	447	9*
53. Road passenger firemen and helpers	464	472	8*
54. Road passenger conductors..	332	331	1
55. Road passenger baggagemen..	304	321	17*

CANADIAN PACIFIC RAILWAY—*Concluded*AVERAGE NUMBER OF EMPLOYEES—*Concluded*

Class of Employees	Year ending	Year ending	Increase* or Decrease
	Oct. 31, 1920	Oct. 31, 1921	
56. Road passenger brakemen and flagmen	492	503	11*
57. Crossing flagmen and gatemen	162	155	7
58. Drawbridge operators	19	27	8*
59. Floating-equipment employees	1,629	1,687	48*
60. Policemen and watchmen	318	298	20
61. Other transportation employees	469	369	100
62. All other employees	6,624	6,079	545
	<u>70,101</u>	<u>62,813</u>	<u>7,288</u>

*Increase between years 1920 and 1921.

We have Mr. Clark of the Canadian Lumbermen's Association, who desires to make a statement. Will he please appear.

Mr. ALFRED E. CLARK, called, sworn and examined.

By the Chairman:

Q. You are President of the Canadian Lumbermen's Association, Mr. Clark?—

A. Yes, sir.

Q. Have you a statement prepared to submit to the Committee?—A. Yes.
(Reads):

“CANADIAN LUMBERMEN'S ASSOCIATION,

OTTAWA, ONTARIO,

June 2, 1922.

Mr. Chairman and Gentlemen:—

We desire to present the following memorandum on behalf of the lumber industry in Canada, as represented by the Canadian Lumbermen's Association, which is made up of manufacturers of lumber and wholesale dealers in lumber in every province of the Dominion, with the exception of Prince Edward Island. In Ontario 77 members, Quebec 56, New Brunswick 20, Nova Scotia 7, Manitoba and Alberta 3, British Columbia 3, and 17 members in the United States, who are importers of Canadian hard and soft wood lumber, making a total of 183 members.

While lumber is not one of the commodities mentioned in the traffic clauses of the Crowsnest pass agreement, still we feel that as lumbering is the second largest, and possibly the second most important industry in Canada to-day, ranking next to agriculture, your Committee should have on record some statement from the lumber industry on the subject matter now before you.

We submit, therefore, that in view of the statements made under oath by the representatives of the carriers before this Committee as to what effect a return to the basis of rates as provided for under the Crowsnest pass agreement, together with the re-establishment of all other rates in effect prior to September 13, 1920, that is prior to the last general increase, would have on their revenues, basing their figures on 1921 tonnage, and their statement that if these rates are again made effective, it is extremely unlikely that any reductions can be made in the rates on other commodities (including some commodities which would come under the heading of basic commodities in, perhaps, a truer sense than some of the commodities now included in the Crowsnest pass agreement), that if the carriers can prove to the satisfaction of your Committee that the restoration of the rates under the Crowsnest pass

[Mr. Clark.]

agreement plus the reductions made on December 1, 1921, and leaving out the figures covering the re-establishment of all other rates to the basis in effect prior to the general increase of September 13, 1920, will have such an effect on their revenues that it would be impossible at this time to make reduction in other and basic commodities including lumber and forest products, we desire to go on record as being unalterably opposed to the restoration of the Crowsnest pass agreement in that it would not be in the best interests of this country generally, at this time, to permit this agreement to again become operative. Practically all of the applications now before the Board of Railway Commissioners for reductions in rates, including an application made by this association in August, 1921, for the restoration of the rates on lumber which were in effect prior to the last general increase of September 13, 1920, would of necessity be dismissed by the Board.

Therefore, if the carrier's contention with respect to their revenues, and which is referred to in the above paragraph, is sustained, we believe the only equitable solution would be to further suspend the Crowsnest pass agreement for a period of years, and an arrangement made with the carriers for a substantial reduction in the rates on a number of basic commodities, the articles to be included in this list of basic commodities to be suggested to the Board of Railway Commissioners by Parliament on recommendation of your Committee, and during the interval in which the agreement is in suspension the Board of Railway Commissioners to conduct a thorough investigation into the entire rate structure in Canada and be prepared to recommend before the expiration of the suspension of the agreement, a basis of rates which would as nearly as possible do away with the alleged discriminations complained of to-day, and a basis which would be, so far as that is possible, satisfactory to all concerned.

All of which is respectfully submitted.

President,

A. E. CLARK."

Manager Transportation,

R. L. SARGANT.

By Mr. Hudson:

Q. Do I understand that it is your desire, the desire of your Association that any rates which this Committee thinks should be installed should be made statutory?—A. Well now, I would like in dealing with this question, to bring our Transportation Department forward in the person of Mr. Sargant to reply on some of these subjects.

Q. I am not asking about the details of rates for the moment. I am asking if you think as a matter of policy it should be incorporated in the statute?—A. Subject to revision from time to time of course.

Q. Going from that then, what rates do you think should be established in regard to lumber?—A. We have made our plea subject to a great many matters that have come before you prior to our appearing here. In dealing back here with that subject we state that the carriers have stated that they cannot carry out the Crowsnest pass agreement and also give our industry reductions in rates. We say if that cannot be done, we have no right to be sacrificed to the workings of the Crowsnest pass agreement, because at the present time the rates in existence on lumber are seriously injuring our industry.

Q. Have you made an estimate of what reduction would be necessary in order to carry on your business properly?—A. We are not prepared to go to the extent of saying what we want, sir. We feel that our industry will possibly have to suffer to some extent owing to the fact that our railways are working apparently under handicap and we will have to take a portion of our difficulties until they get straightened out, but at the present time, we do feel our industries are suffering and the progress of industry is suffering from the fact that we are paying more than we can afford to pay on lumber.

[Mr. Clark.]

Q. Do you agree with the statement made by Mr. McLean from New Brunswick last night that if the rates were lowered the business would increase, I mean the lumber business in particular to such an extent that the railways would suffer no loss?—A. That was the statement we made to the Railway Commission in our last hearing. We thought that would be the case to a considerable extent. That is more or less a promise. We do know that business is held back at the present time pending a statement from this Committee as to what is to be done.

Q. In your opinion would there be a very large increase in the volume of business if the rates were lowered?—A. I think a material increase, yes, sir.

By Mr. Boys:

Q. Do I understand you really base your request for further suspension of the Crowsnest pass agreement entirely upon the statement that if the agreement is not suspended that proper consideration cannot be given to lumber rates?—A. As I read the evidence and as I understand the evidence which has been presented to you, I would say yes.

Q. So if what you think happened to be wrong, then your request might be amended in that way?—A. I have no way of passing judgment on what they say.

Q. The difficulty this Committee is confronted with is that the railways say one thing and as far as we are able to judge, a very capable gentleman representing the Western Provinces says figures are not reliable and they are very apt to be wrong.—A. Such an able body of men, you would not ask me to pass judgment upon.

Q. You are basing your claim on the assumption that the statement of the railways is correct?—A. I have to assume that they are correct until they are proven wrong.

By Sir Henry Drayton:

Q. You say business is restricted considerably. Would you give us some particulars of that. In what points?—A. I can only deal with the Canadian end of the situation because I believe we have no power to go beyond that.

Q. Where are you going to get a largely increased sale of lumber?—A. I understand there is a tendency to improve even, in the Western Provinces, which we are very thankful for.

Q. In other words if you had a lumber rate which would enable B. C. mills to ship to Prairie Provinces, you think there would be an increase in business?—A. I think it would help.

Q. How large an increase?—A. It would depend considerably upon their own prospects for their future. If their future prospects in their own lines of business is good, I would think it would affect it materially.

Q. Are you acquainted with that section?—A. Not as well as I would be with our own section here.

Q. Take your own section here.—A. I think the tendency here would be to materially improve our situation once we had a more settled basis of rates, scaling downward.

Q. Your idea is that the business is being held up?—A. Partially on account of the high rates.

Q. What do you look upon as your consuming centre here?—A. Take through the Provinces of Ontario and Quebec particularly, the whole rural sections as well as cities.

Q. When you are figuring on bases, you have some basis for it?—A. The general business of the country is improving, covering the territories throughout.

Q. In order to bring back what you look upon as a proper business basis, having regard to the sections you are particularly interested in, what distance would you propose to bring lumber, what haul?—A. I would say it is utterly impossible to localize the lumber industry. You cannot force a man to build a home in the woods or you cannot force a man to build a factory in the woods.

[Mr. Clark.]

Q. There are certain districts which are natural tributaries to certain limits. I just wanted to know how far you would want to be able to put lumber into this district?—A. I would say that our growth of timber is diversified in different sections of the country. For instance, our friends in Nova Scotia and New Brunswick are large spruce producers.

Q. So far as spruce is concerned you would like to be able to market maritime spruce in Ontario?—A. It has to come, otherwise house building in the Province of Ontario is going to be very very expensive.

Q. Yes. Do you know whether or not lumber has to come from B. C.?—A. A portion of it.

Q. Very large dimension lumber comes from B. C. and has to meet competition of the Southern States?—A. The fact of the matter is at the present time the bulk is going to the Southern States.

Q. What is the rate on Southern States lumber coming in here now?—A. About 42 cents.

Q. As against approximately what in B.C.?—A. 95 cents.

By Mr. Shaw:

Q. How many representatives do you say your association has in Alberta?—A. Manitoba and Alberta, three.

Q. How many people are there engaged in the lumber business in those two provinces? Can you give me any idea?—A. No, I cannot. Our Association has not a large membership west of Winnipeg.

Q. So you don't speak with any degree of finality as far as that is concerned?—A. I would not be prepared to go on record for them. As I understand, they more or less went on record before the Board of Railway Commissioners.

By Mr. Hudson:

Q. Have they not an Association of their own out there?—A. Nearly every district in the province has an Association.

Q. Is there not in Western Canada an Association?—A. Made up of British Columbia? I could not speak from the wholesale manufacturing end. I can speak from the retail end. I could not tell you that. This is all drawn from membership of the different provinces.

Q. There is a very large amount of lumber produced in Northern Manitoba and Saskatchewan. Do these people belong to your Association?—A. Not to any extent. We have never got in touch with those people as closely as we should like to. We have the hope we will get cemented together very shortly.

By Mr. Boys:

Q. So far as your Association is concerned, would you be satisfied to have the whole question of freight rates submitted to the Board of Railway Commissioners untrammelled by any of these agreements?—A. I think I would, provided we were permitted to submit our case carefully.

Q. It goes without saying you have that right under the Act?—A. I suppose so.

By Hon. Mr. Crerar:

Q. How much of the total amount of lumber manufactured in Canada is exported from Canada, do you know?—A. I could not tell you without referring to the data in the office. A considerable amount, I would say.

Q. Can you give this Committee the amount of lumber that is imported into Canada annually?—A. I cannot do that without referring back to the office again.

By Sir Henry Drayton:

Q. It varies immensely?—A. It varies immensely. This year there is a considerable amount coming in.

Witness retired.

[Mr. Clark.]

Mr. THOMAS MARSHALL, called, sworn and examined:

By the Chairman:

Q. Mr. Marshall, you represent the Toronto Board of Trade?—A. Yes, sir. I desire to submit the following communication on behalf of the Board (reads)

TORONTO, June 5, 1922.

To the Chairman and Members of the Parliamentary Committee on Transportation Costs, House of Commons, Ottawa.

RE CROWNEST PASS AGREEMENT

GENTLEMEN,—The Toronto Board of Trade respectfully submits the following on behalf of its members:

Under normal conditions we would doubt the propriety of intervening in this matter, but if the reinstatement of the rates under the Crowsnest pass agreement were to result, as is feared, in the depletion of the railways' revenues to such an extent as to withhold the general reduction in rates provided to automatically take effect on July 1, 1922, our position is as follows:

That certain interests in Western and Eastern Canada for many years have had the advantage of the reduced freight rates provided by the Crowsnest pass agreement and the saving in charges on the commodities affected have amounted to many times the subsidy paid the Canadian Pacific Railway Company under the agreement.

That in order to maintain a parity in rates to and from districts developed since 1897 the reduced bases of rates have been applied to extensions and branch lines not contemplated under the agreement;

That the Canadian National Railways which did not participate in the subsidy, but serving the same and contiguous territories, have been required to make similar reductions for competitive reasons;

That all traffic throughout the Dominion since 1918 has borne heavy increases in transportation charges and shippers are looking forward to relief therefrom under the Board of Railway Commissioners' General Order No. 308 on and after July 1st next, but if the reinstatement of the Crowsnest pass agreement rates were to so affect the carriers' revenues as to in any way reduce the relief promised under the Railway Commission's General Order No. 308, It would seem that the interests of the whole of Canada would be best served by the further suspension of the agreement, permitting full effect to be given to the said Order whereby the rates in effect prior to September 13, 1920, both in Western and Eastern Canada, will be restored on July 1, 1922, and enable all traffic, the rates on which were advanced, to share in the readjustment.

By Mr. Boys:

Q. I understand from your statement that you are of the opinion that the West has benefited very extensively by the rates specified in the Crowsnest pass agreement. Is that correct?—A. I think that is a fact.

Q. Let me read your language: "That certain interests in Western and Eastern Canada for many years have had the advantage of the reduced freight rates provided by the Crowsnest pass agreement and the saving in charges on the commodities affected have amounted to many times the subsidy paid the Canadian Pacific Railway Company under the agreement." How do you reach that conclusion that is set out in that paragraph which I have just read?—A. I think it must be admitted in the first place that the rates under the Crowsnest pass agreement were reduced in the first instance from what was then the normal basis of rates in Western Canada. That took place many years ago.

[T. Marshall.]

Q. Is it your contention that prior to 1917 the West benefited by the rates in the Crowsnest pass agreement?—A. Certainly.

Q. Why do you say that?—A. For the simple reason that in 1897 there was in effect a certain basis of rates on grain to the head of the Lakes, and on commodities from the East to the West. Under the Crowsnest pass agreement, certain percentages were taken off these rates, and they were carried and have been carried as maximum rates until 1918.

Q. The statement was made by Mr. Symington that not until 1917 were the maximum rates fixed by the Crowsnest pass agreement reached.

Mr. ARCHAMBAULT: On grain.

Mr. BOYS: Yes, on grain.

Q. And that only for a short period, less than a year, had they the benefit of those rates because of the increases granted during the war?—A. Possibly you are quite right. I take it that what you have reference to there is the reduction in the rates below the Crowsnest pass scale by reason of the Manitoba Agreement.

Q. No, it is quite the reverse.

The CHAIRMAN: I think you are wrong.

Mr. SHAW: You are quite right.

Mr. BOYS: I have been reading what Mr. Symington said, because it affected me at the time.

Hon. Mr. STEWART: Is it not from 1902?

Mr. BOYS: He made the statement before this Committee that not until 1917—

Hon. Mr. STEWART: From 1902?

Mr. BOYS: I do not know whether it is from 1902 or 1908.

The CHAIRMAN: Mr. Boys, in 1903 the rates on grain and flour were below the Crowsnest scale.

Mr. BOYS: That is exactly what I am saying.

The CHAIRMAN: Then what is the balance of your statement?

Mr. BOYS: I am stating that Mr. Symington told this Committee that not until 1917 were the maximum rates fixed by the Crowsnest pass agreement reached; that there was no special benefit to the West accruing therefrom at all; that in 1917 they were reached, and that owing to that agreement the rates they might have desired to place on wheat, for instance, could not be placed because of the agreement; but that condition lasted for only a few months, not one year.

Q. I just wanted to know if you were aware of that fact?—A. The Crowsnest rates went into effect on September 1, 1899, with a 14-cent rate from Winnipeg. In 1903—I may be wrong, but this is my understanding—under what is known as the Manitoba agreement with the Canadian Northern Railway Company, a ten-cent rate was made on grain from Winnipeg. That made a reduction of four cents from the Crowsnest rate, but that ten-cent rate carried back until say Calgary, which under the agreement had a rate of twenty-six cents, got under the rate made in consequence of the Manitoba agreement twenty-four cents on wheat and twenty-five cents on other grains. That agreement, of course, brought the rates lower than the Crowsnest scale, but they still had the advantage of that basis.

Q. Do you agree with this statement, that not until 1917 were the maximum rates fixed by the Crowsnest pass agreement reached? If so, I cannot see how they got the benefit of it?—A. On March 15, 1918, the rates went back to just about the Crowsnest scale.

The CHAIRMAN: Will you please read Mr. Symington's statement so that we can understand it? If Mr. Symington seems to say that not until 1917 was the maximum agreement rate effective—

[T. Marshall.]

Mr. BOYS: I did not say "effective" but "reached." In other words, that the rates being charged were not as high as the rates fixed by that agreement, and naturally until the rate fixed is higher than that, there is no special benefit. The moment it is higher, the agreement says that on certain commodities and certain hauls it shall not be—

Sir HENRY DRAYTON: He says the Manitoba agreement affected it, and we all know that is true.

Mr. BOYS: We do not all know it, because evidently there is a dispute between us here now.

The CHAIRMAN: I do not think there is a dispute as to the actual fact, but the way in which you put Mr. Symington's statement was not quite clear to me.

Mr. ARCHAMBAULT: I will read the statements made by Mr. Symington as it appears on page 312 of the evidence:—

"So that I may not deceive you, I may say that the West had the benefit of the Crowsnest rates from 1898 to 1902.

"By an hon. Member:

"Q. I understand you to say that it did not do them any good after 1918?

—A. The West had the benefit of the Crowsnest rates from 1898."

Mr. HUDSON: They had it from 1898 to 1902, and from 1902 to 1918 they had not.

The CHAIRMAN: I am not sure that that is correct. I think the more correct position would be to say that they had it from 1898 to 1918, subject to the Manitoba agreement. They were below the Crowsnest rates, it is true, from 1903 to 1918.

Sir HENRY DRAYTON: In so far as grain is concerned, I do not think there is any doubt that the Manitoba agreement affected it. Mr. Marshall is right as to the other commodities.

By Mr. McConica:

Q. You stated the agreement was extended to lines constructed after the Crowsnest pass agreement was entered into, and that that extension was not contemplated. Was it not the law at the time this agreement was entered into, that there should be no discrimination between lines, and were not those roads constructed with the idea that they would be subject to the provision of the Statute in that regard?—A. If we judge the standard of discrimination from the Railway Act, the Railway Act was not in effect when the Crowsnest agreement was made.

Q. But when these new roads were built?—A. I misunderstood your question. I thought you asked me if it was not a fact that there was legislation in Canada—

Q. When these roads were built the Crowsnest pass agreement was outstanding, and the Statutes said that there should be no discrimination, and they were built in contemplation of that condition?—A. I quite agree with that, and very likely if a complaint had been made to the Railway Commission, supposing the railways had not voluntarily extended the rates to contiguous territory, that complaint as to discrimination would have succeeded; but that, of course, is the effect that the rates had on the contiguous territory.

Q. And the railroads when they built the extra lines know that those conditions prevailed?—A. I would think they would certainly have had to take that into consideration.

By Mr. Hudson:

Q. And in addition to that had made agreements with the Government of Canada in regard to rates?—A. They had, as I understand it, with regard to rates on the lines constructed at that time; I may be wrong, and the Act may—

Sir HENRY DRAYTON: The Act has to speak for itself. This witness cannot say what the law is.

By Mr. Hudson:

Q. There is a statement in this submission that requires explanation. Going back for a moment, do you say Western Canada obtained any advantage from the Crowsnest pass agreement between the years 1902 and 1918 in respect of commodities other than grain?—A. I would take it so, yes.

Q. What particular commodities?—A. I could only enumerate the commodities that are in the agreement.

Q. You say in respect of all those commodities Western Canada obtained an advantage because of the Crowsnest pass agreement?—A. I would say more than that, that both the eastern shipper and the western receiver of any freight within the commodities named in the Crowsnest agreement that moved under the reduced rates certainly obtained some benefit.

Q. Does not your statement necessarily imply that the rates were below the Crowsnest agreement rates from 1902 to 1918?—A. Yes, on these commodities.

Q. Do you know whether that is true or not?—A. Are you speaking outside of grain?

Q. Yes?—A. Oh, yes; I would say that is the case.

Sir HENRY DRAYTON: I think you are wrong there.

Mr. SHAW: The facts are all the other way.

Sir HENRY DRAYTON: I think 1914 the earnings were so good that there was only one rate held down by the agreement, and that was the rate on fruit in less than carload lots.

By Hon. Mr. Manion:

Q. You mean the rates were all as low or lower?—A. Yes; the basis was there.

By Mr. Shaw:

Q. Is it not so, that the Crowsnest pass agreement did not control if the rates fixed were below the rates in that agreement?—A. You are speaking of grain?

Q. Of all commodities?—A. I think it has been shown that after 1903 the rates on grain to the head of the Lakes did go below the Crowsnest agreement rates, but that is not the case, as I understand it, with the rates on commodities westbound.

Sir HENRY DRAYTON: It culminated in 1914.

By Mr. Shaw:

Q. If the rates on westbound traffic prior to the judgment of Sir Henry Drayton in December, 1917, were lower than the maximum rates fixed by the agreement, then the agreement was not a controlling factor?—A. They were not lower; they were the rates fixed at the time; certain commodities taking a certain percentage of the rate.

Q. Your contention is that the rates fixed in the agreement did control from 1903 to 1918?—A. Yes; I would take it so.

Q. That is the maximum rate under the Crowsnest pass agreement?—A. Yes.

By Mr. Boys:

Q. In other words, if it had not been for that agreement the rates should have been higher?—A. Yes; there is no question about that.

Q. You are in absolute conflict with Mr. Symington?—A. I would not be surprised at that.

Mr. SHAW: And also Sir Henry Drayton.

By Mr. Boys:

Q. I suppose we agree that unless the rate is to be higher than the Crowsnest pass agreement, the West would not get any benefit from it? It all depends on that?—A. Certainly.

[T. Marshall.]

Q. And your statement in the paragraph which I read is based upon the assumption that the rates would have been higher had it not been for that agreement, and therefore the West got the benefit of the maximum rate fixed by the Crowsnest pass agreement?—A. Those are the facts. The railway men are here to prove that.

The CHAIRMAN: The tables of figures show there was a reduction.

Mr. BOYS: Where there is a conflict of this kind, one wants to make quite sure there is no misunderstanding.

By Hon. Mr. Crerar:

Q. Did the manufacturers in Eastern Canada of products used in Western Canada derive any substantial advantage from the Crowsnest agreement rates on commodities moving from the East to the West?—A. Measured in dollars and cents, of course, I could not say; but it naturally follows that the reductions made in the rates under the Crowsnest agreement would naturally assist the Eastern manufacturer or the Eastern fruit-grower, when they were not raising the fruit in British Columbia, to market his product in the West at a lower cost than if he had been paying the full class rates applicable on other commodities: I say to that extent he gained.

Q. It provided more business for the railways?—A. Possibly; and at the same time the manufacturer or shipper obtained lower charges. He got his fruit delivered into the Prairie Provinces at a lower charge, and ultimately, I take it, the consumer or user of these goods must have obtained some benefit therefrom. If they did not, then, of course, the agreement itself was abortive. I take it that that was the primary reason of the agreement, to help somebody.

By Mr. Hudson:

Q. Do the people you represent profit by the prosperity of Western Canada?—A. Why, as a general question, I would say yes.

Q. They are mostly large shippers of goods to Western Canada?—A. Yes, they do ship goods to the West.

Q. And that is one considerable item in their business, is it not?—A. Yes, considerable.

Q. In your opinion, would the lowering of freight rates increase business at the present time?—A. I am not sure. Some of the gentlemen whom I have spoken to seem to be strongly of the opinion that the high freight rates have been the cause of the depression throughout. Personally I think it is only a factor. I think it is only a factor.

By Hon. Mr. Crerar:

Q. But it is a factor?—A. Unquestionably it is a factor, sir. It is for that reason, Mr. Chairman and gentlemen, that we are suggesting here that we think it would be in the best interests of the entire country if it could be so arranged by the further suspension of the agreement for the time being, that the rates that have gone up horizontally from Halifax to Vancouver, should be permitted to come down horizontally.

By Mr. Euler:

Q. How far down?—A. Well, the Board of Railway Commissioners' order, if carried out, unless amended or extended, would restore the rates which were in effect both in Western Canada and in Eastern Canada prior to September 13, 1920, which would mean practically taking the balance of the 25 per cent off, of the 40 per cent off.

By Mr. Hudson:

Q. Do you think it fair that the people in Western Canada should pay higher freight rates than the people in Eastern Canada?—A. On what?

[T. Marshall.]

Q. On anything?—A. I would say no. Of course that is a very general question. It would require some qualification.

Q. What qualification would you ask?—A. I would perhaps have to know something about the commodity. Are you speaking of—

Q. Any commodity? Those in the agreement, for instance.—A. Those in the agreement? Grain and the other commodities?

Q. The other commodities in the agreement?—A. I don't know so far as the grain rate is concerned. Of course the grain rates are higher in the East than they are in the West now per mile.

Q. Deal with the other commodities though.—A. Are you speaking from the East to the West?

Q. Anywhere, yes. Suppose you wanted to ship a carload of say paint from Winnipeg to Edmonton and a carload of paint from Toronto to some similar distance in the East, don't you think the rates should be the same?—A. Possibly so. Of course that entire question is now being settled by the Board of Railway Commissioners. It is all before them. I don't think I am competent to give you an answer here on that.

By Mr. Euler:

Q. Do you think higher rates in the West was justified by reason of the water competition in Eastern Canada?—A. I know that we have had water competition and also the American rate competition in the East. That is perhaps, I might say, the controlling factor. It is certainly a factor in making the rates. These conditions do not apply in the West.

By Sir Henry Drayton:

Q. Take Mr. Hudson's case, that carload of paint. Is there a paint factory in Vancouver?

Mr. HUDSON: Yes.

By Sir Henry Drayton:

Q. What is the rate from Winnipeg, do you know, to Edmonton, for example, on a carload of paint?—A. I have not got the figures here, sir.

Q. How much below the ordinary forwarding rates does the present tariff allow western shipping centres to ship?—A. What is it?—85 per cent of the fifth class, is it not?

Q. Do you know at what point it is that these lower rates enjoyed by the shipping centres of the West meet in the western movement on the eastern rates?—A. No, I don't think I could tell you that.

Q. Do you know whether Winnipeg does the distributing in the West to-day, or whether it is done from the East?—A. The distribution generally speaking to-day is almost entirely confined to western distributing centres. The eastern distributing centres are not shipping into the West. The manufacturers are shipping to their own warehouses in the West.

Q. Do you know whether or not an offer was made to the Boards of Trade of the West that they might have eastern rates if they would take eastern practices?—A. That is a fact.

Q. What answer came from the West?—A. Very much opposed to any such thing. Very much opposed to any such thing.

HON. MR. CREARAR: Who was that from? Boards of Trade in the West?

SIR HENRY DRAYTON: Certainly.

HON. MR. CREARAR: Was it from all Boards of Trade?

SIR HENRY DRAYTON: Distributing centres.

WITNESS: Practically all Boards of Trade.

[T. Marshall.]

By the Chairman:

Q. I have a copy of the resolution passed here. It was passed April 26th, 1921. There were a number of western Boards of Trade present. This is a part of the resolution:—"It was further the opinion of the meeting that there should be no disturbance at the present time in the present class rates relationship now existing in eastern and western Canada as a result of the finding of the Board of Railway Commissioners in the inquiry conducted in the eastern and western rate cases and orders issued in relation thereto or subsequent orders." Is that what you have reference to?—A. Yes, sir.

Q. What does that mean? What was the purpose of it or the object?—A. It meant this, sir, that there had come before the Board of Railway Commissioners, I think perhaps from the Privy Council, instructions to inquire into the basis of rates in eastern and western Canada, the claim having been made by certain western interests that the west was being discriminated against, and which of course involved the class rates as well as the commodity rates on grain and other natural products. When that claim was being made before the Commission, of discrimination in the rates, the Chief Commissioner intimated that he thought it would be quite proper that if the western basis of class rates were reduced to the basis of the eastern class rates that the same classification conditions should apply, using the same rates, which meant the general distribution of mixed cars, and any commodity halving a carload of grain as against the practice at present in effect whereby only certain goods can be put in mixed cars to the west and between points in the west. That proposed rule was set down for hearing at practically every distributing point in the west, and it was very generally opposed. The west does not want it.

By Mr. Hudson:

Q. You are referring now to disputes between Boards of Trade, that is distributors of goods and not to the consumers of goods?—A. I am really referring sir, to the complaint made by Mr. Symington before the Board of Railway Commissioners on the discrimination between the eastern and western rate situation.

Q. You know as a matter of fact that the Board of Railway Commissioners has repeatedly held that western rates were higher than eastern rates?—A. Quite so.

Q. To some extent?—A. 15 per cent on an average, or more. That is what the judgment sates.

The CHAIRMAN: Well, that is all, Mr. Marshall.

WITNESS: Thank you, sir.

Witness retired.

The CHAIRMAN: Mr. Watson desires to make a further statement, gentlemen, briefly.

Mr. FRANK WATSON, recalled.

WITNESS: Mr. Chairman and gentlemen, I have comparatively little to say, and, such as it is it is of a very general character. I will leave the details to the representatives of the C.P.R. and the Canadian National. (Reads):

"It is not my intention to deal in detail to any extent with the evidence or statements submitted by the witness who have appeared before this Committee, but I would like an opportunity of briefly commenting on a few of the outstanding features of the arguments presented by the different interests.

We all, I think, were impressed with the sincerity of the statements made by the Hon. Mr. Greenfield, Prime Minister of Alberta, and by Mr. Reid, of the Canadian Council of Agriculture, and touched on by others, on the general condition of the farmers in the West, and while no one regrets more than the railways that this situ-

[Mr. Watson.]

ation does exist, temporarily we hope, we cannot overlook the fact that there is the same distress, perhaps in much greater measure, in the East, and I venture to say that for one suffering in the West by reason of unfortunate present-day trade conditions, there are scores in the East and our desire is, having a fairly good knowledge of the situation, from the Pacific to the Atlantic, to go as far as we consistently can to assist in restoring more normal conditions, but this cannot be done by a reckless slashing of freight rates which will cripple the railways and only benefit certain communities.

We have no dispute with the Hon. Mr. Greenfield when he suggests that a railway handling increased tonnage at lower rates with more equipment working is a better proposition than a railroad with less tonnage, idle equipment and consequent unemployment. I am quite certain that if the railroads could be assured of materially increased tonnage and that their equipment would be kept fully employed for the greater part of the year by means of a reasonable reduction in rates, they would be the first to adopt that means of increasing their revenues.

Just at this point I would like to refer to the impression that may have been created by some of the statements made here that the sole aim and object of the railway traffic man is to grind the last dollar possible out of the unfortunate shipper or consignee and that no regard is paid by the railways as to whether or not, as stated by Mr. Greenfield on page 124 of the evidence, traffic is destroyed by high freight rates.

Any railroad man that tries to adopt this policy is either a knave or a fool,— a knave because anyone who tries to extort more than his service is reasonably worth is a knave, or a profiteer as they say in these days; and anyone who, to put it concisely, “kills the goose that lays the golden egg” is a fool, and I do not think those who have the largest dealings with the railroads are of the opinion that the average railway official is either one or the other.

Our interest in the success of the shipper, whether he be a manufacturer or engaged in any activity for the development of our resources, is only secondary to his own. We can no more successfully operate our railways without the assistance or co-operation of the manufacturer or producer than he can succeed without the assistance of the railways. We have our outside men all over the country, keeping in close touch with trade conditions, not only in Canada but in the United States, and their weekly and monthly reports of the situation, both present and prospective, are carefully studied so that, as I have already intimated, the average traffic man knows a little about everyone's business and is in more general touch with the whole situation than an individual shipper, or even a community, who very naturally are interested only in their own local affairs.

The Hon. Mr. Oliver, Prime Minister of British Columbia, has spoken at some length, but his whole argument substantially was a review of the General Equalization Case which is now in the hands of the Board of Railway Commissioners for decision, and really the only point made by Mr. Oliver was that if unjust discrimination now exists against British Columbia in the matter of rates, that unjust discrimination would be greatly increased by allowing the Crownest pass agreement to again come into force.

I have already expressed my views on discrimination and do not intend to burden the record any further on that point except to say that, generally speaking, unreasonable rates in favour of any particular section of the country means discrimination, and, therefore, if under the operating conditions of 1898 rates which were reduced by the Crowsnest pass agreement below the then normal basis were reasonable, they cannot, as I think I have already stated, by any fair argument or stretch of imagination, be considered reasonable to-day.

The Hon. Mr. Oliver referred to existing and growing differences between the East and the West. Notwithstanding what we have heard and read on this, I do not believe that any such feeling actually exists among the business or best thinking people of either the East or the West and that any such differences or antagonism

[Mr. Watson.]

is only in the minds of those which are fostered by provincial politicians for their own purpose. For example, when Mr. Macdonald and Mr. Vien and other members of the Committee, who are naturally very much interested in the rate situation in the East, suggested that the western members consider a plan for rate reductions that may benefit the East as well as the West, their suggestions were brushed aside and they were substantially told: "Don't bother us with your rate troubles in the East; if you think you should get reductions, go to the railways or to the Railway Commission," while, at the same time, these western gentlemen are soliciting the help of the eastern members to assist them in getting their "pound of flesh" for the western provinces irrespective of what happens to the rest of the Dominion.

Reference has been made to the railway cost of operation and it has been suggested that the railways should reduce their expenses primarily by cutting down wages, and the Hon. Mr. Langley expressed the opinion that if the railways would explain to their employees just what the situation is and that they desired to make certain reductions in rates to benefit shippers and consignees, they (the employees) would cheerfully acquiesce in such wage reduction. The action on the other side of the line of the railway employees on the recent wage reduction does not indicate such condition and, as you gentlemen know, strike ballots are being distributed at the present time. The railway operating officials know better than anyone else just what the situation is and can better than anyone else judge the result of any drastic or precipitate policy in the matter of wage reduction. If Mr. Langley can accomplish what he suggests would be very easy for the railways to do, I have no doubt the latter would be very glad to pay him many times the salary he receives as president of his elevator company.

I would like to correct a statement made last night to the effect that I had stated before the Committee a reduction in freight rates would not, in my opinion, stimulate business.

What I did say is found on page 109 of the evidence.

I was asked if a definite statement as to rates was more important than that the rates be reduced. My answer was: "It is perhaps more important, but not all important. *I believe a reduction in rates would have some effect*", and in support of this we are offering in lieu of the Crownsnest pass agreement, which would only benefit one section of the country, a very material reduction on what we consider to be important basic materials. This reduction would benefit, either directly or indirectly, all lines of business in all parts of the country.

Mr. Angus McLean spoke last night of the tremendous slump in the pulp and lumber trade which took place simultaneously with the Forty Per Cent Increase in rates. My recollection is that the lumber trade slumped in June or July, 1920, months before the Forty Per Cent Increase took effect.

In connection with woodpulp, I have here a pamphlet issued by the Canadian Pulp & Paper Association, which contains some interesting figures compiled by the Dominion Bureau of Statistics.

Newsprint produced in Canada in 1920, 875,696 tons.

Newsprint exported from Canada in 1921, 959,240 tons.

Pulp of all kinds produced in Canada in 1920, 1,960,102 tons.

Pulp exported in 1921, 527,172 tons.

Unfortunately this pamphlet did not give the production of newsprint and pulp for 1921, but possibly these figures are available now.

Possibly the most forceful and impressive argument at this hearing was that delivered by Mr. Symington on behalf of the Provinces of Manitoba, Alberta and Saskatchewan, and as Mr. Symington is fresh from the General Equalization Hearing which has been in progress for over a year, he is well fitted to present the facts and figures as they appear to him.

[Mr. Watson.]

A careful and cool analysis, however, of Mr. Symington's address reveals two outstanding features; namely, the burden the West is carrying in the matter of producing railway revenues, and what is perhaps the dominant note the sacredness of the Crowsnest pass agreement.

In regard to the first, I would like to say that from my point of view the boot is on the other foot. Mr. Symington's argument was, if I remember correctly, that the revenues accruing west of Fort William were higher and that the operating expenses were lower than in the East and, although all this will be dealt with no doubt in full detail by the representatives of the Canadian Pacific and Canadian National Railways, I would just like to point out that the grain traffic from the West receives the full benefit of these conditions in the East; that is to say, the service given by the lines east of Fort William or Port Arthur at lower rates and with perhaps greater cost of operation must undoubtedly benefit and stimulate in a very large degree the movement of western grain; and the reply that would no doubt be made by Mr. Symington,—namely, that water competition, and not the railways voluntarily, make these low rates in the East,—would not in any way affect or detract from the great and natural benefit which accrues by reason of these low Eastern rates to the grain traffic in Manitoba, Alberta and Saskatchewan.

The other feature of Mr. Symington's argument,—namely, the sacredness of the Crowsnest pass agreement,—which is the immediate matter under discussion, I will leave to the others, except to reiterate what has already been stated; namely, that if both parties to this compact, (the Dominion Government and the Canadian Pacific Railway) agree that it is in the public interest that the agreement should be further suspended or abrogated, action in that direction is perfectly legal and legitimate.

My own view has already been expressed. Now is the opportune time for a surgical operation necessary for the welfare of the business and transportation health of the Dominion.

Provincial governments should and the Dominion Government must favour a policy of "the greatest good to the greatest number."

Mr. FORKE: I would like to observe, Mr. Chairman, that according to Mr. Watson's statement the people who are best fitted to solve this problem are the railway managers. They know exactly what should be done better than this Committee—

WITNESS: I do not go so far as that.

By Mr. Forke:

Q. I think you did?—A. I said the railways had greater knowledge of the situation than the individuals or communities, and I meant that that knowledge should be placed at the disposal and taken into consideration by the members of this Committee. The members of this Committee could decide whether that knowledge is of any value or not.

Q. Probably I misunderstood you?—A. Yes.

By Mr. McConica:

Q. That same argument would eliminate the Railway Commission, would it not?—A. No, it certainly would not. I am speaking of the particular matter under consideration by this Committee at the moment. I am a firm believer that the Railway Commission should have untrammelled jurisdiction over the rate situation in this country.

By Hon. Mr. Manion:

Q. You mentioned the proposal by the railways of a joint reduction upon basic commodities. Do you consider that that proposal would come anywhere near taking the rates back to before the 1920 increase?—A. It will, in some commodities. Take lumber; we are prepared to go back to the rates in effect in 1918; that is, the rates in effect immediately prior to the increase of 40 per cent in September, 1920.

[Mr. Watson.]

Q. Would the whole decrease you propose equal the rates, taking it altogether, in effect in 1918? Would it go back to the rates of 1918? Would it equal the rates on the average of 1918?—A. No. Perhaps I do not understand your question. It is obvious that if we do not go back on all commodities to the rates of 1918, and only go back on certain commodities as agreed, the same benefit would not accrue to the public.

Q. There would be no commodities upon which you would go lower than 1918?—A. No.

Q. So it would not be quite the decrease that the 1918 rates would give?—A. It would, on those commodities.

Q. But on the whole?—A. No.

Q. Have you any idea, in a general way, what the difference would be? Of course, I do not suppose you can make a proposition anyhow?—A. As I said at the beginning of this hearing, the Grand Trunk Railway is but comparatively little interested in the Crowsnest agreement rates. I mean to say that the proportion of additional revenue we would gain in comparison with what we would lose by a reversion to the Crowsnest pass agreement, amounts to comparatively little. But we are very much interested in the general business of Ontario, and while the concessions the Grand Trunk have offered are far greater in dollars and cents than what we would save by an abrogation of the Crowsnest pass agreement, we are throwing our lot in with our big brother, the Canadian National Railway, of which we may be made a part in a short time in actual practice, and we are prepared to drop a large amount of revenue. Frankly, we would benefit to the extent of \$100,000 or something like that. The concessions we have in a general way considered would amount to perhaps \$1,000,000; so our interest is not a selfish one.

Q. Do you think that the general proposition made by the three railways, the Canadian National, the Canadian Northern and the Grand Trunk, will approximate—you say it will not go to the 1918 rates—the 1918 rates?—A. Oh, no; it is quite obvious that it cannot.

Q. I admit that, but a thing can approximate something without being absolute?—A. All three railways handle class traffic, usually high-class stuff. No reduction is contemplated on that at present, because we do not think it is necessary.

By the Chairman:

Q. Mr. Watson, what have you in mind as the list of commodity rates to which this proposed reduction would apply?—A. It is substantially in the list given in Mr. Beatty's evidence: lumber, coal, cement, plaster, lime, iron ore, iron and steel billets and pig-iron. It is on record.

Q. Would pulp be included?—A. No, sir.

By Mr. Hanson:

Q. What about forest products?—A. I do not know how far we are prepared to go in including everything produced in the forest under "lumber" or "forest products."

By the Chairman:

Q. What about apples?—A. No.

Q. Why are not apples usually classed as a commodity?—A. I do not know. If you start to cover all fruits and all vegetables you have a very large field.

By Sir Henry Drayton:

Q. You are covering potatoes?—A. Yes; but there is a large range of vegetables other than potatoes and also a large range of fruits other than apples.

By Hon. Mr. Manion:

Q. What about pulpwood?—A. Probably that is covered under "forest products."

[Mr. Watson.]

By Mr. Euler:

Q. Are these suggestions made as the result of a conference between the railways?—A. There is no agreement, but we had a general conference.

By Mr. Shaw:

Q. When was that conference held?—A. A month or two ago.

Q. Was it in contemplation of the coming into effect of the Crowsnest pass agreement?—A. Yes.

Q. Who were represented at that conference?—A. The Canadian Pacific Railway, the Canadian National Railway and the Grand Trunk Railway.

Q. And your position is that the railways want the right to say what commodities shall get a reduction, and what reduction shall be granted?—A. I do not know that I can go as far as that. I will qualify that in this way, that we will be glad to consider any reasonable suggestion that is made to include some other commodities.

Q. Reasonable suggestion by whom?—A. By this Committee or by the shippers or the railway companies.

By Mr. German:

Q. All subject to the Board of Railway Commissioners?—A. They very seldom object to reductions.

Q. But the Board of Railway Commissioners could make a further reduction if they so desired?—A. Yes. If this Committee decides to recommend to Parliament that the Crowsnest pass agreement be either suspended or abrogated, and refers the whole matter to the Railway Commissioners for adjustment, then the Railway Commissioners will consider our offer of reductions on these basic commodities which we have picked out, and if they desire to add to them they will do so.

By Mr. Euler:

Q. Is it not true that the reduction you suggest are greater than those suggested by Mr. Beatty?—A. No; I said at the outset that the list I had in mind was the list included in Mr. Beatty's evidence.

Q. The list is the same, but the percentage of reduction is not?—A. Do you refer to lumber at the moment?

Q. You agreed to come down the additional 25 per cent on some commodities. I think Mr. Beatty suggested 16 per cent on lumber?—A. No. What Mr. Beatty said was—I think British Columbia lumber was under discussion at the time—that what he had in mind in saying that the reduction would be 11.8 was the further reduction that would be made on the British Columbia lumber to wipe out the 40 per cent increase, because reductions had already been made on more than one occasion.

Q. At any rate, you are in agreement?—A. Absolutely. Our reduction in the east will be 20 per cent from the present rates. In other words, we will wipe out the remaining 25 per cent of the 40 per cent reduction.

By the Chairman:

Q. Is livestock included in the commodity rate?—A. The whole increase of 25 per cent has already been wiped out on livestock.

By Sir Henry Drayton:

Q. In order to carry that along, in view of the British embargo and the great importance of helping the western livestock industry by exporting meats, what are you going to do about the export rate on meats?—A. I understand that has been already taken care of, if circumstances demand that a further reduction should be made and the railways and shippers agree. The railways are quite as alive as anybody else to the importance of encouraging the exportation of meats.

[Mr. Watson.]

Q. You admit that is a very important item and should be looked upon as a basic commodity?—A. No; that should be treated as a class by itself under the special conditions that you mentioned, namely, that if the embargo is taken off cattle for feeding in Great Britain, that creates a special condition in connection with the meat business particularly.

Q. Then, of course, we would ship our livestock as livestock?—A. Yes.

Q. As it is to-day, when the West have not that privilege, you surely will admit that it is very important to them that there should be a low export rate on meats?—A. I am a firm believer in manufacturing our raw material in Canada, and as far as possible fixing our rates on export traffic so as to encourage that.

Q. You, of course, include meats under that heading?—A. I include anything, I do not care whether it is newspaper, or pulp, or meat or anything else.

By Hon. Mr. Stewart:

Q. There is a list of commodities of which you have named some, and have also told the Committee there were others?—A. I want both you and myself to be absolutely clear on that point. The list that I have reference to is that included in Mr. Beatty's evidence, and which I detailed from memory to the Chairman.

Q. I do not think Mr. Beatty pretended to state to the Committee a complete list?—A. No. I am not prepared at the moment to give a complete list myself.

Q. Have the representatives of the railways agreed upon a complete list?—A. They have substantially agreed upon a list.

Q. Who has that list, if you have not?—A. I have a copy of the list.

Q. Where is it?—A. That is I have a list showing the commodities which the Grand Trunk is prepared to deal with. That list is substantially the same, but I am not speaking for the Canadian Pacific Railway or the Canadian National Railway; they can speak for themselves.

Q. But you have told the Committee more than once that you have conferred?—A. Yes.

Q. And at that conference a list was agreed upon?—A. Yes.

Q. Where is that list?—A. I have not got it; I have my own list.

Q. Is your list a copy of what the representatives of the other railroads have?—A. I could not tell you that.

Q. Well, is it the list that was agreed upon at the conference?—A. I will give you my list if you like, and you can ask the other representatives to say if it agrees, practically, with theirs.

Q. That is all right, but I am asking you a very simple question: Is the list which you have the one that was agreed upon when you conferred with the representatives of the other two systems?—A. I do not want you to get the impression that I am evading anything, but I very distinctly said there was a general discussion between the railways as to what commodities should be termed basic, and that different ideas were expressed. Now, the Canadian National Railway or the Canadian Pacific Railway may have taken from their list or may have added to it or changed their minds since the time of that discussion. I therefore do not propose to commit the Canadian Pacific or the Canadian National Railway to any special list. It is quite proper and competent that they should speak for themselves.

Q. Neither do I desire by a series of questions to place you in a false position. If the representatives of the three Boards, the Canadian National Railway Board, the Grand Trunk Railway Board and the Canadian Pacific Railway Board have not agreed, I do not want to pursue the matter now. That is, I do not want you to be forced into a position of putting on the record of this Committee something that has not been agreed upon, but if you have agreed upon anything, please give it to the Committee. If you have not, I am quite willing to wait until you do. Have you agreed?—A. No; we have not absolutely agreed.

[Mr. Watson.]

By Mr. Boys:

Q. What was the list to which you have referred?—A. A joint list has not been submitted to the Committee.

Q. When you had this conference, was it for your own private purposes or was it with a view to laying before this Committee contemplated reductions on basic commodities?—A. It was with a view to laying it before this Committee.

Q. If that was your purpose, and you have in your pocket or with you a copy of that list which, so far as you know, is the same list that the Canadian Pacific and the Canadian National Railways have, I think it would be quite right to let us have it, subject to any corrections there may be.

Hon. Mr. STEWART: In submitting the question in the first place, I did not desire to place Mr. Watson in the position of disclosing something that is in the course of negotiation. If there is something in course of negotiation between the representatives of the three systems—

Mr. BOYS: Mr. Watson has told us that this list was prepared for submission to this Committee. Now, his copy may be handed to us subject to any corrections that should be made.

WITNESS: That is it exactly.

The CHAIRMAN: Then let Mr. Watson give it.

Mr. MCCREA: It should not be definitely and finally agreed to, and I hope it is not. If I may have the floor for a moment—

The CHAIRMAN: Please permit Mr. Watson to furnish the list.

WITNESS: Lumber is first on the list.

By Mr. Euler:

Q. Would you not give the percentages of reductions at the same time?—A. The suggestion is to wipe out whatever remains of the 40 per cent increase. Lumber, bituminous coal, building materials consisting of cement, lime, brick and plaster; pig-iron, scrap-iron, billets, blooms, cordwood for chemical purposes, fertilizers not chemically prepared.

By Hon. Mr. Stewart:

Q. With reference to all other freight classifications, it is contended that the rates shall remain where they are now?—A. Exactly, subject to the jurisdiction of the Board of Railway Commissioners or their ideas as to what should be done in connection with further increases or otherwise.

Q. Is that list compiled, having in view the fact that all other freight rates are going to remain for an indefinite period on the basis they now are?—A. Yes, it is.

By Hon. Mr. Manion:

Q. What about grain?—A. It is not affected in the list. There is the difference between my list and the C.P.R. and the C.N. They do make very substantial reductions on grain at points west of Fort William.

By Hon. Mr. Stewart:

Q. And that list is predicated upon the further suspension of the Crowsnest pass agreement?—A. Yes.

Mr. MCLEAN: I notice in the evidence given here it says forest products. You say lumber.—A. That would include all articles carried under the lumber list in our lumber tariff to-day. It would apply to shingles and laths and all that sort of thing.

Q. Would that include pulp and paper?—A. No sir, it would not. They are not lumber. It is a pretty far cry from forest products to paper.

[Mr. Watson.]

Q. Not very far.—A. It is in price.

By the Chairman:

Q. It would include pulpwood?

Mr. McLEAN: It only takes 24 hours from the wood into the paper.

WITNESS: That may be. It is a far cry from the actual nature of the commodity.

Mr. McLEAN: It is an absolute product of the forest. It is a cheaper conversion even than lumber.—A. So is apple pie the product of apples. I suppose apples are basic for the manufacture of apple pie.

By Mr. Archambault:

Q. Or apple cider?—A. Yes, if it is hard enough.

By Mr. Hanson:

Q. Pulp is as much a forest product as dressed lumber?—A. So is joiner's work. So is this furniture.

Q. You don't mention pulpwood there, though you do in your previous statement. You have not got it on your list at the present time.—A. No, I have not, but I would prefer not to say anything about that. I may be a little in doubt as to whether we could or not. We have made substantial reductions on pulpwood since the 40 per cent increase.

Mr. McLEAN: There is one point I perhaps misunderstand Mr. Watson on. I would like to have it cleared up for the benefit of the gentlemen back here. I might be wrong, but I understood Mr. Watson to say that the railway authorities were to be the sole arbitrators as to the rates that should be charged?—A. They claim the right to say what the rates should be. We are never the sole arbitrators.

Mr. McLEAN: I understood you to say that in your argument. I want to know whether I misunderstood you or not.—A. All we reserve is the right to say what we think the rates should be.

By Mr. Boys:

Q. You are quite ready to have the Board determine that after hearing all other interests?—A. Certainly.

Mr. McLEAN: The reason I bring up that point now is that I think some of the troubles might be obviated if the railroad conferred more with the shippers who have to pay the freight bills. My experience has been that the shipper was not consulted as to what the rates should be.—A. It is very seldom we make any drastic or arbitrary change in our freight rate without consulting the shippers' interest. It is a fact certain changes were made in 1918, and so on, because it was a public necessity, perhaps. The shippers were not all consulted, although as a matter of fact they appeared in nearly all those increases, the 15 per cent, the 25 per cent, and the 40 per cent increases; they appeared before the Railway Commissioners although the 25 per cent increase was an order by the Privy Council, still there was a protest made against that and it was referred back to the Board for reconsideration. Outside of the Board of Railway Commissioners, as I say, the railways as a rule do not make any drastic changes in the rates without consulting the shippers and getting their point of view.

By Mr. McCrea:

Q. Mr. Beatty in his evidence before this Committee, if I recollect right, proposed they were ready to make a reduction of 16 per cent on grain, 16 point something and 11 point something on forest products. Now it appears to me the last advance in freights was 35 per cent; western rates were raised 35 per cent and

[Mr. Watson.]

eastern rates 40 per cent, and if Mr. Beatty's evidence is correct, or if that reflects what the three different railways propose to put into effect, it would appear to me not quite a fair deal. I don't see any reason why the same percentage would not apply to forest products as would apply to grain because the raise in rates was 40 per cent as against 35 per cent west, and we ought to expect as great a reduction in forest products, if you allow me to tell you. I think you know very well without telling you, that that rate on forest products has been nearly 50 per cent higher than it has been on grain and I would like to know why it is not entitled to the same reduction or more?—A. I told you I cannot tell you simply for the broad reason it has always been that way because that relationship has existed between lumber and grain.

Q. Do you believe in your experience as a railway man it should exist?—A. No sir, I am not going to commit myself on that.

By Hon. Mr. Kennedy:

Q. That 40 per cent has had two decreases, 10 per cent and 5 per cent, and has been reduced to 25 per cent?—A. Yes.

Q. The actual amount is only 25 per cent now?—A. The amount to be wiped out is the 25 per cent.

Q. The remaining 25 per cent of the 40 per cent?—A. Yes. Leaving the old rate 25 per cent and the original 15 per cent?

By Mr. McConica:

Q. There were some special reductions made on these special commodities in addition to those reductions?—A. The rate on the Pacific Coast has been reduced more than once since the 40 per cent increase.

By Mr. McCrea:

Q. The rate on eastern lumber has not been reduced?—A. It has been reduced by 15 per cent.

By Mr. Hudson:

Q. I want to get some general information about the Grand Trunk, if I may. Your lines run entirely in the provinces of Ontario and Quebec and in the United States?—A. Yes.

Q. Have you any in New Brunswick?—A. No.

Q. You don't touch it?—A. No.

Q. Your lines are senior lines in those two provinces?—A. They are.

Q. And I presume you occupy the best territory?—A. Well I don't know that we do to-day.

Q. It is as good as any other line or any other system?—A. Yes, it is as good as any other.

Q. What was your operating ratio for the year 1921?—A. The actual operating ratio was 92.61 per cent.

Q. What was the operating ratio for several years before that?—A. I don't know whether I can give you that or not.

Q. For the year 1920?—A. 93.58 per cent.

Q. It was a little higher?—A. A little higher. For the year 1919, 87.82 per cent; for the year 1918, 85.05 per cent; for the year 1917, 78.96 per cent, showing gradual increase in operating expenses.

Q. What operating ratio have you got to have to make profit?—A. Oh, well, I could not tell you. Generally speaking the old figure was 70 per cent, in the neighbourhood of 70 per cent.

Q. That is, I suppose, just a rough estimate?—A. Very rough, yes.

Q. That is made by most railway men, I understand?—A. I think so.

[Mr. Watson.]

Q. Now, during a considerable number of years prior to the war, the operating ratio had increased gradually, had it not, that is in all the railways in eastern territory the operating ratio was climbing up as the years went by?—A. I could not say as to that, not having the actual figures before me, and I would prefer not to express an opinion, because possibly in some of the years prior to 1917 the operating was higher or lower.

Q. I mean spreading over the ten year period, the operating ratio was going up all the time?—A. I should judge the general trend would be upward.

Q. And that would be due, I presume, partly to the increase in wages and to what else?—A. Increase in cost of materials that were necessary for the operation of the road. Maintenance.

Q. And maintenance? Terminal facilities enter very largely into your increased cost?—A. They did where they were necessary to construct.

Q. The terminal facilities are very expensive in large centres of population like Montreal, Toronto or any city, are they not?—A. Yes, they are.

Q. And the necessary work incident to handling those facilities are also expensive?—A. That is quite obvious.

Q. And that is the reason, as the population increases and the districts are more concentrated the operating ratio goes up.—A. Unless it is compensated by increased traffic. Where a population increases materially, they are consuming a greater quantity of material and there are more people travelling so that actually there is an actual increase in business which would compensate for the increased expense.

Q. Has it not been the almost universal experience of railway operators that those costs of terminals and that sort of thing due to concentration of population have increased more rapidly than the volume of business or the return?—A. Without having the actual figures or knowing the actual conditions, I would say yes. My own opinion is yes.

Q. I think it is accepted on the other side of the line universally?—A. Yes.

Hon. Mr. STEWART (Lanark): Mr. Hudson is not referring to the amount expended in terminals by the roads represented by Mr. Watson, or is it a question generally.

By Mr. Hudson:

Q. It is the general theory of the increased cost of running railways, that is in the country where there are not congested populations, the cost does not increase in the same proportion at all?—A. I think you are right. Of course in connection with the cost of construction, the Hon. Mr. Oliver or Mr. McGeer referred to the line between Ottawa and Montreal costing \$178,000 a mile. He might have taken a better example, by taking the Grand Trunk, say, from Montreal to St. Lambert, which cost several million dollars a mile, because we have the Victoria Bridge there.

Q. The business of your railway is confined entirely to those two provinces in Canada and therefore the traffic which you carry is mostly short haul traffic?—A. Quite correct.

Q. That has a tendency to increase the ratio of costs too?—A. Yes, it has, because the natural terminal expenses are the same or substantially so whether you carry traffic 100 miles or 500 miles.

Q. I suppose too, where trains are running between towns which are close together, there is far more switching and expenses incident to stoppages, etc., than there is in districts where there is a long haul, an uninterrupted haul.—A. You mean trains running between two given points where there are a lot of intermediate important stations.

Q. Yes?—A. Naturally.

Q. It means breaking up trains and shunting?—A. Yes, and slow running through the terminals. Everything adds to the expense.

[Mr. Watson.]

Q. Is that a large item in expense? in operation?—A. I would not venture an opinion on that. It is an item, but how large it is comparatively to other expenses, I would not say.

Q. You cannot apportion that in expense?—A. No, I don't believe it is segregated.

Q. What was the deficit of the Grand Trunk last year, the Canadian lines?—A. Do you mean the deficit—

Q. Was there an operating deficit?—A. If you leave out fixed charges, there was a small operating surplus. I think it shows in this statement.

Q. 7 point something or other?—A. The net revenue for the year 1921 was \$5,678,000.

Q. That is operating revenue?—A. Operating revenue. Of course all fixed charges had to be paid. If these had been paid and all our obligations met, which of course had to be met, that resulted in a deficit of \$7,386,170.97.

Q. Have you got the figures for 1920?—A. No, I don't believe I have, Mr. Hudson. No, I have not.

Q. You could get those?—A. I have the revenues for 1920, but it is not worked out in detail.

Q. You could get those for us by tomorrow?—A. Yes, if you desire them.

The CHAIRMAN: If you give them to Mr. Hudson, I suppose that would be satisfactory?—A. For 1920?

Mr. HUDSON: Yes.

By Mr. Hanson:

Q. I would like to find out if Mr. Beatty's statement as to what were agreed upon as basic commodities is final as far as the railways are concerned, and if it was agreed to exclude pulp as a basic commodity?—A. It has not specifically been agreed to exclude pulp, but it was not included in the original list. The railways are prepared to consider any questions raised by this body or the Board of Railway Commissioners.

Q. What is your answer to the first part of my question as to whether or not this list is final so far as the railways are concerned? You will find the list on page 55 of the record?—A. So far as the railways are concerned, yes; and I would like to qualify that in this way: That that is our idea of what should be done, but it is not final in the sense that it is like the law of the Medes and Persians.

Q. I understand that. The Railway Commission will decide that?—A. Not necessarily going to the Railway Commission.

By the Chairman:

Q. You have an open mind upon it?—A. Yes, absolutely. But we have gone as far as we think we should go.

By Mr. Hudson:

Q. What was the total tonnage carried by the Grand Trunk Railway last year? You can give it to me when you give me the other figures?—A. For 1921?

Q. Yes?—A. Canadian lines, 21,687,749 tons.

Q. And for the preceding year?—A. I have not got the figures for the preceding year, unfortunately.

Q. You will get them for me?—A. Yes.

The CHAIRMAN: Is there a representative of the Eastern Canada Livestock Association present?

Mr. McCREA: Mr. Chairman, may I be permitted to ask the witness a few questions?

The CHAIRMAN: Certainly.

[Mr. Watson.]

By Mr. McCrea:

Q. Is there any just reason why lumber has always taken a very much higher rate than grain. Lumber can be shipped in any kind of car, flat or open or leaky, whereas grain must be shipped in a car that is not only water-tight but practically air-tight. If there is a gimlet hole a quarter of an inch in diameter in the floor, a good deal of grain could pass through it in the course of a long journey?—A. There is no more just reason why lumber should take a higher rate than grain than why sugar should take a higher rate than flour. Practically the same care has to be taken in the transportation of both commodities, but our rates on flour are very much lower than they are on sugar. As I said before, I am not prepared to tell you why grain rates were originally established on a lower basis than for lumber, except that grain was moving in a very large volume perhaps under competitive conditions which did not apply to lumber. That is only a guess on my part.

Q. But both sugar and flour require water-tight cars, whereas lumber does not, and does not get them?—A. I do not know that sugar requires any greater protection than flour, and yet we charge a higher rate on it.

Q. But grain requires more protection than lumber?—A. I appreciate that.

Q. And notwithstanding that, the rate is near 50 per cent higher on lumber than it is on grain. As one of the men interested in forest products, I would like the railway men to bear in mind that although we have submitted to this discrimination peaceably up to date, so far as I am concerned, I do not propose to submit to that injustice in the future. I say the rates on grain and forest products should be nearer together than they are?—A. I suppose if the rates on grain were advanced to the same basis as that applicable to lumber, that would be satisfactory to you.

Q. I am not asking you that?—A. Would that be satisfactory to you?

Q. No, it would not; that does not help my case any. The forest products industry to-day is paralyzed through the effect of high rates?—A. That is a matter of opinion. Some of your friends here this morning admitted that while freight rates were a factor they were not a dominant factor; there were other influences much more important than freight rates that were causing a depression in the lumber industry.

Q. That is one of them?—A. I admit that.

Q. I presume you will admit that there is a great deal of unnecessary expenditure in connection with the operation of a railway that might be cut out if the railway management was permitted to deal with the matter directly themselves?—A. I will not admit anything of the kind. I believe that the Grand Trunk Railway is operated just as economically as it can be, and that the management of the Grand Trunk Railway is seeking every opportunity to cut down the expenses of operation.

Q. I have had knowledge of a station on your line for the last 50 years, and when I lived there I had more knowledge of it than I have to-day. When the business at that particular station was at least twice what it is to-day and two men were employed, and on special occasions three men. To-day, or not six months ago, you had five men there all told doing less than half the business done at that station 20 years ago?—A. The Grand Trunk is not voluntarily responsible for that.

Q. No, but I asked you if it would not tend to cut down the cost of operation if the management of the railways had the control of these things unhampered by any organizations?—A. Everybody knows that they have not.

Q. I have asked you, and you have stated that the railway is not responsible. There is a station on the C. P. R. called Springhill. The agent in charge of that station, a Mr. McDonald, has been there for 20 years, and has attended to all that was required of him at that particular station. While speaking to my son last week he said, "I have taken care of this station for the last 20 years and am prepared to do it now, but notwithstanding that I have two helpers here that are not necessary." There are two men on eight-hour shifts, and Mr. McDonald, who is the agent, comes on at eight o'clock and leaves at four o'clock, and during that period not one passenger train passes that station. He says, "I have done all the work required for the last 20

[Mr. Watson.]

years, and for half the money I am getting now. I do not want my wages cut down, but I am prepared to do what I have been doing for the last 20 years, but the regulations forced upon the railway company entail the employment of two men here that are not needed." Now, what are the railway people doing to overcome that situation?—A. I shall be very glad to discuss that matter with you at any length you like, but I do not think that this discussion is of very great value to this Committee, because you are discussing something that is out of our power to rectify. For the present any change in the direction of reducing wages must take its proper course; neither you nor I can alter conditions.

Q. We can protest against them?—A. Oh, yes.

The CHAIRMAN: You have made your point, Mr. McCrea.

Witness is excused.

The CHAIRMAN: Gentlemen—and I would like to speak to Mr. Stewart and Mr. Boys particularly, in view of some statements they made last Friday—the sub-committee met on Saturday, and we agreed upon the witnesses we would call. Both Mr. Stewart and Mr. Boys were absent yesterday morning. As a matter of fact, we have heard everybody who has requested a hearing thus far. On Saturday I telegraphed the Eastern Canada Livestock Union to the effect that they would be heard yesterday or to-day, but as they have not appeared I presume they do not wish to be heard. Mr. Stewart last week suggested, I think, that we should hear a traffic expert from the Board of Railway Commissioners?

Hon. Mr. STEWART: Yes.

The CHAIRMAN: Mr. Campbell is the officer attached to the Board in that capacity at the present time. He is present this morning and available if you wish to confer with him privately, but both the Chairman of the Board and Mr. Campbell think he should not be asked to give matters of opinion in view of the fact that he is the advisor of the Board; he will give matters of fact if requested.

Hon. Mr. STEWART: If he is going to give any information at all for the benefit of the Committee, I think he should give it openly. I do not think the members of the Committee should run around and get Mr. Campbell's views and then state them as their own views, or anything of that kind.

The CHAIRMAN: I thought some members of the Committee might want to have instructions or advice upon some matters, and they could get it more quickly in that way.

Hon. Mr. STEWART: I think any member of the Committee might better get that advice or instruction in the presence of the whole Committee.

The CHAIRMAN: Mr. Campbell is present and will be present to-morrow. He does not want to make any statement unless a member of the Committee wishes him to do so.

Apparently we have exhausted all the evidence to be given with the exception of the representatives of the Canadian Pacific Railway and the Canadian National Railway. Some members of the Committee wish those representatives to be recalled, and I think they wish to make further statements themselves. To-morrow Mr. Lanigan will make a statement, and I think Mr. Beatty will be present. Mr. Flintoft, will you ask him to be present, because I think some members of the Committee would like him to be here?

Mr. FLINTOFT: Yes.

The CHAIRMAN: Mr. Hayes, would you ask Mr. Hanna to be present to-morrow morning.

Mr. HAYES: Yes.

The CHAIRMAN: Then if nothing intervenes, we might close our hearings to-morrow.

[Mr. Watson.]

Mr. BOYS: If Mr. Campbell is the rate expert of the Board of Railway Commissioners, will not his evidence take some time? Would it be wise to have Mr. Beatty, Mr. Lanigan and Mr. Hanna brought here when it is not at all likely that they could all be called?

The CHAIRMAN: It is not intended that Mr. Campbell shall give evidence unless some member of the Committee wants to ask him some questions.

Mr. HUDSON: It seems to me the matter will develop in this way, that representatives of the railways who are familiar with rates, will come here and make statements, not contradicting the statements which have been made on the part of the provinces, but showing the reasons why the inferences sought to be drawn by them should not be drawn. Now it may be necessary to check up additional facts which they give, and at that point, surely Mr. Campbell's assistance would be necessary.

Sir HENRY DRAYTON: I don't think Mr. Campbell should be called until after the railways put in their case and we can get whatever we want from Mr. Campbell.

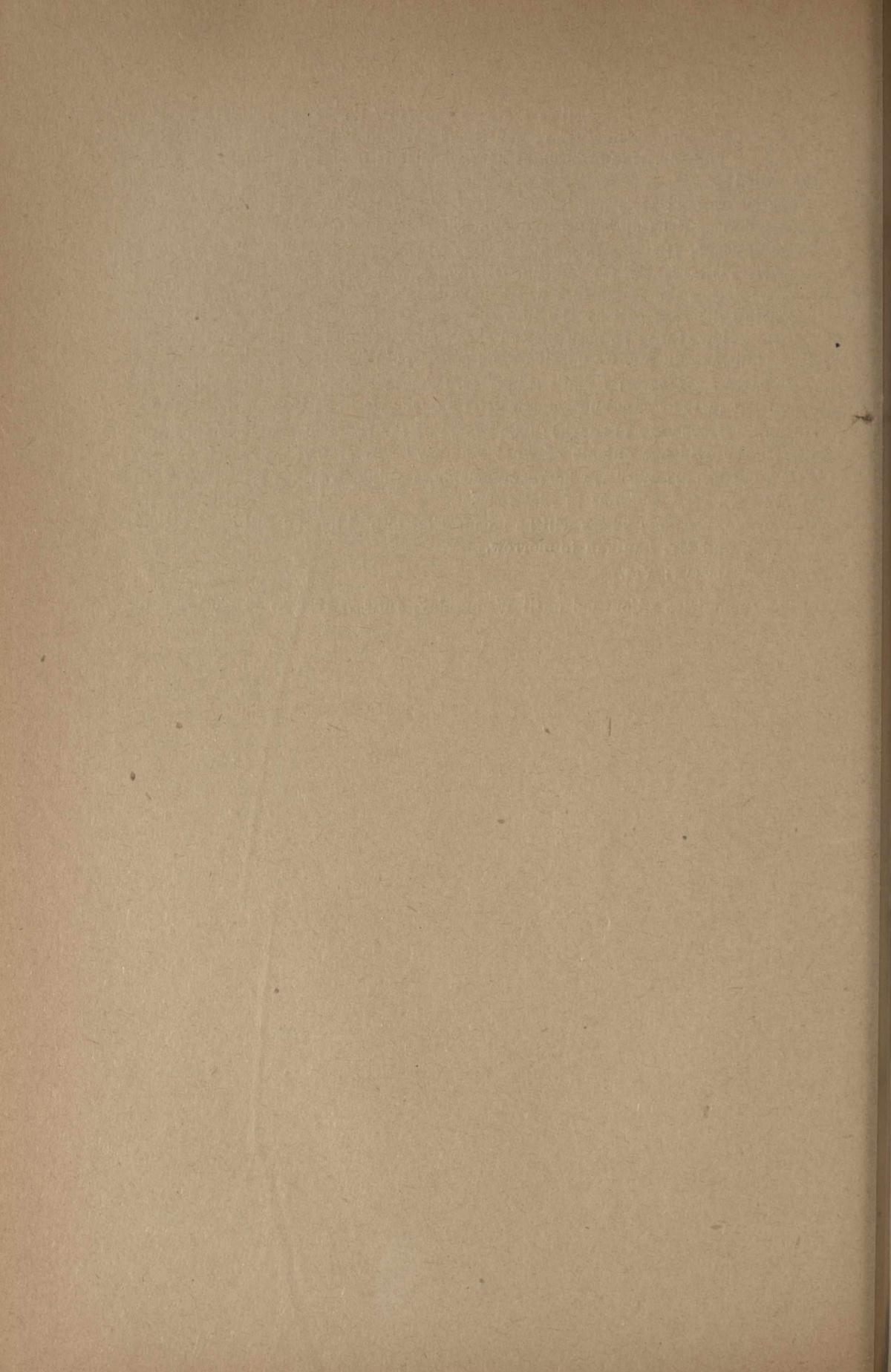
Hon. Mr. STEWART (Lanark): The report of the Sub-Committee is that you have heard all the evidence outside of what you have now stated.

The CHAIRMAN: We have heard everybody, I think, who has requested a hearing. We have been very generous in that respect.

Hon. Mr. MANION: There will be no meeting to-night. We will have Mr. Beatty, Mr. Hanna and Mr. Lanigan to-morrow.

The CHAIRMAN: Yes.

The Committee adjourned until Wednesday, June 7, 1922 at 11 o'clock a.m.



OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

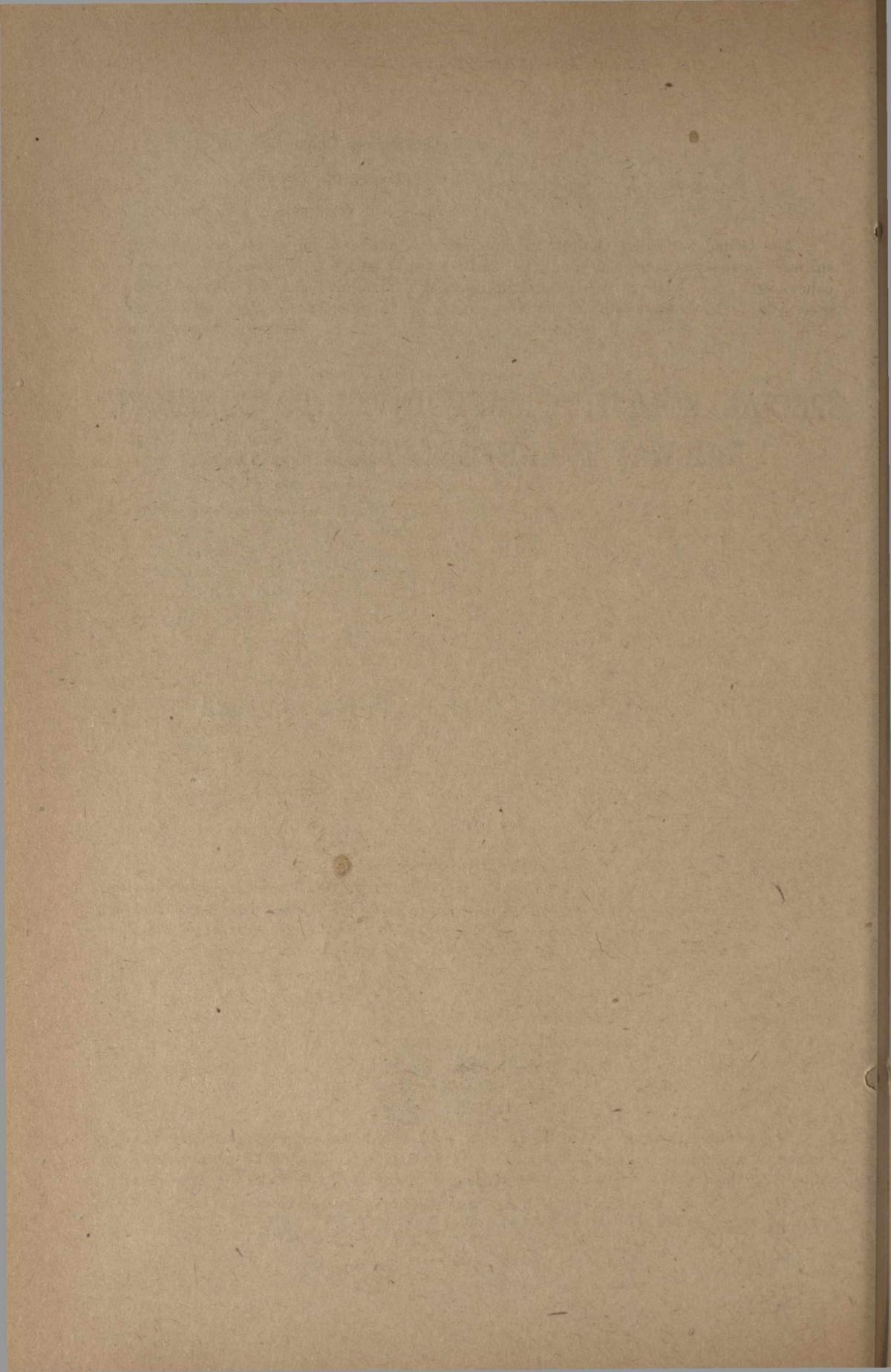
No. 12—WEDNESDAY, JUNE 7, 1922

NAME OF WITNESS

Mr. Lanigan, Freight Rate Office, C.P.R.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922



COMMITTEE ROOM No. 425,

HOUSE OF COMMONS,

WEDNESDAY, June 7, 1922.

The Select Standing Committee appointed to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest Pass agreement on July 6th next, met at 11 o'clock, a.m., the Hon. A. K. Maclean, the chairman, presiding.

The CHAIRMAN: Gentlemen, I think we had better come to order. Mr. Lanigan, the Freight Rate Officer of the Canadian Pacific Railway is present this morning, and wishes to make a statement. I presume it will be a statement covering a great deal of what has already been dealt with, or will relate very largely to statements that have been made here by others. Have you a prepared statement, Mr. Lanigan?

Mr. LANIGAN: Yes sir. I handed it to the secretary or the officer of the Committee.

The CHAIRMAN: I think it would be better for all concerned if we permit Mr. Lanigan to make his statement in continuous form, unless it may be to elucidate some point as he proceeds, and he can be examined afterwards by members of the Committee. Does any gentleman present want paper upon which to make notes?

Mr. WATSON: Before you proceed, Mr. Chairman, there is a correction to be made in the transcript of the evidence on page 398, in the last paragraph I am quoted as saying "For several months past we have been endeavouring to effect a general reduction not to New England at all but to Trunk line territory, that is, New York territory." That should read, "Not only to New England"—which makes quite a difference. And on page 400, the last line of the first paragraph should read, "rate to the border, and the combination would be far in excess of the joint through rate." There are one or two others, but they are minor.

The CHAIRMAN: When rates are fixed do officers of the Railway Board confer with the Interstate Commerce Commission, that is, international rates?

Mr. WATSON: No sir.

The CHAIRMAN: The railways initiate the arrangement, and ask that it be concurred in by the Interstate Commerce Commission?

Mr. WATSON: Not exactly concurred in by the Interstate Commerce Commission, rates may be published by the initial lines, without the concurrence of either the Canadian Railway Commission or the Interstate Commerce Commission. Of course those rates are open at any time, to attack or complaint. If a complaint is filed against any of these rates, it is filed with either one commission or the other.

The CHAIRMAN: But before the railways publish their international rates, do they get the concurrence of the Railway Board?

Mr. WATSON: No, but our connecting lines are interested in the through carriage.

The CHAIRMAN: The Canadian and the American railways by arrangement try to work out the international rates amicably?

Mr. WATSON: Yes sir.

Mr. HUDSON: Suppose a difference of opinion occurs, and suppose the Railway Board of Canada is appealed to by some shipper who is affected by an international rate, and the Railway Board does not agree with the railway, what happens then?

Mr. WATSON: You mean the Canadian Railway Commission?

Mr. HUDSON: Yes?

Mr. WATSON: If they think a corrected rate should be published, is that published by the railways?

Mr. HUDSON: Is there a conference then with the Interstate Commerce Commission?

The CHAIRMAN: Somebody must bring the case before them.

Mr. WATSON: As a rule, there is an unwritten law that the Interstate Commerce Commission leaves the rates that are initiated in Canada in the hands of the Canadian Railway Commission, and the Canadian Railway Commission leaves those that are initiated by the railways on the other side with the Interstate Commerce Commission. Of course, if there is a dispute and it became acute, it would be a matter for both commissions, the Canadian Railway Commission and the Interstate Commerce Commission to settle. The Canadian Railway Commission settling that part of the rate applicable to the Canadian end, the Interstate Commerce Commission settling that part of it applicable to the American end.

Mr. HUDSON: You were going to get some statistics for me, have you been able to get them?

Mr. WATSON: I have not got them with me, but I am having them prepared and will send them to you to-morrow.

The CHAIRMAN: All right, Mr. Lanigan; you may proceed.

W. B. LANIGAN, Recalled.

Mr. LANIGAN: Mr. Chairman, and gentlemen of the Committee: Not having the forensic abilities of some of you gentlemen, I have written this statement out, and have filed a copy with your secretary. (Reads) "I am not competent to deal with any legal aspects of this case, I am not a solicitor learned in the law, while Mr. Symington is. His education and training has been entirely in that direction, but it is safe to presume, at least from my experience, and I venture to say from the experience of many members of this Committee, that opinions may be obtained from equally competent legal sources exactly contrary to those he has expressed." In fact I have one opinion of that character, and I will have two or three more from very prominent solicitors which, Mr. Chairman, with your permission, will be filed to-morrow or the next day.

The CHAIRMAN: I hope you are not making any reflection upon the profession, Mr. Lanigan.

Mr. LANIGAN: Far from that, sir. I may say that I have a tremendous admiration for the members of the profession.

The CHAIRMAN: For their ability to give adverse opinions?

Mr. LANIGAN: Not altogether that.

Mr. SHAW: Is Mr. Lanigan getting permission to file the opinions of legal representatives?

The CHAIRMAN: He has not presented them yet. We cannot deal with that question until it comes up.

Mr. LANIGAN: Mr. Shaw would be able to give an equally competent opinion, I have no doubt. (Reading) "I have, however, what Mr. Symington lacks, namely, forty years of practical railway experience; forty years of practical knowledge, gleaned in nearly every department of railway service except the legal department. It is from that knowledge, practical and not theoretic that I wish to present as concisely as possible the facts to this Committee to-day. No contract as to rates between either Federal or Provincial Governments and railway companies under the jurisdiction of the Board of Railway Commissioners have been made since the Railway Board was created. The contracts in this respect in existence when the Board took over the situation were purely sectional, as for instance, the one under discussion

[Mr. Lanigan.]

which deals with rates from points on the Canadian Pacific Railway east of Fort William, that is the points which were on the C.P.R. at that time, and from Fort William to points west of the Great Lakes only, and is confined to certain specified commodities only, and on grain and flour from western points to the lake front. The so-called Manitoba contract was limited to the territory between the Great Lakes and the western boundary of Manitoba, while the British Columbia agreement which was also a purely provincial one with the Canadian Northern Pacific was limited to rates to and from that province. The authority conferred upon the Board of Railway Commissioners by Parliament is to-day over the entire Dominion rate situation, that is in so far as the Board has been given jurisdiction (except the Government lines, like the Intercolonial), restricted, however, if I interpret the situation rightly, by the maximum rates applying on certain commodities from certain territory to certain destinations under the Crowsnest Act. I am not competent, as I said before, to interpret the law, but I shall read you a decision of the Railway Board, expressed by Sir Henry Drayton (concurring in by his colleagues, Commissioners Mr. D'Arcy Scott, Dr. S. J. McLean, Dr. Mills, and the late Mr. A. C. Goodeve) in the judgment of what was known as the Western Rate Case, Vol. 200, page 35.

"In like manner, should a company not distribute profits earned under legal tariffs, those profits, nevertheless, belong to its shareholders, and it would be equally unfair if such undistributed profits were taken as a return of capital to the shareholders for the purpose of justifying a rate otherwise indefensible."

In this connection Mr. Muller states in Exhibit 90, Series 1, at page 55,—

'And, further, a railway company, by foregoing the distribution of profits in dividends in past years, may make available large sums for additions to its property which are not in any way represented in the stocks and bonds issued but which must be considered in determining the investment upon which a reasonable rate of return is to be calculated. The dividends actually paid by the C. P. Rly. in fact, represent a considerably lower percentage on the actual investment than they do on the issued capital, just as in some cases of other companies the reverse condition is true.'

'The whole question is or should be what rates are fair? In considering this question, of course, surpluses earned by past operations may be evidence to the fact that the rates under which they were earned were exorbitant. Any industrial enterprise has the right to a reasonable surplus over and above its fixed charges and dividends. A railway is also entitled to a reasonable surplus. The only evidence given on the subject as to what a reasonable surplus would be is that of Mr. Muller, who required 2 per cent, and the opinion of the Board is that this is not unreasonable.

Much time has been lost and much unnecessary work done by reason of the fact that all parties to the issue seem to have treated it as one in which their whole duty is to press everything to the last possible conclusion irrespective of the effect on the country or the railways. The case also was one which, I, at any rate, did not wish to circumscribe, and certainly did not stop any line of enquiry that any counsel wanted to go into. It is a pity, however, in view of the time that has been taken up, and the fact that practically only one set of figures has been from beginning to end on the one side, at any rate, considered, that some attention was not paid by counsel to the direction of the late Chief Commissioner, contained at page 1,817, Vol. 145 of the evidence, which is as follows:—

"With reference to the inquiry into the financial standing of the companies, it seems to me that if one is investigated they should all be investigated. We should not be submitted to the possibility of prejudice in settling these rates by placing before our eyes the millions and millions of treasure that the Canadian Pacific is supposed to have hoarded up. *The question for us to decide is what rates are fair irrespective of how much any company is worth or is not worth.*"

[Mr. Lanigan.]

Mr. Muller said that one-half of the surplus should be one-half of the current rate at which money could be borrowed. At that time we were paying on our preferred stock 4 per cent, consequently one-half of that would be 2 per cent. The rate at which we can borrow money, or corporations which have the necessary assets behind them can borrow money to-day is somewhat higher than that, of course.

"Dealing with the question in the manner contemplated by the late Judge Mabee, no effect is given to the 'lame duck' argument that we have heard so much about during the inquiry, on one hand, nor to shareholders' reserves on the other."

"To my mind it is quite impossible for the Board to deal with rates in the west on the hypothesis that the Canadian Pacific is the only railway that should be taken into consideration."

I quite realise that in the late appeal to the Privy Council, the Privy Council sent the rate situation back to the Board of Railway Commissioners and said "do not regard the deficits of the Canadian National. This is a question that should be settled entirely on the requirements of the C.P.R.; and it has proceeded on those lines since, and simply as a Canadian, born and bred, a tax payer in this country, I take a little issue with that, sir, with all due respect to the gentlemen that issued it and if consideration for the tax payer of this country is not to be extended it would be to say the very least, a very unfortunate matter.

"This judgment was the result of the most exhaustive enquiry into railway rates ever conducted, either in this country or elsewhere. If the company is entitled to earn returns and reasonable surpluses as outlined, the Board's decisions in that direction are restricted by the maximum rates imposed by contract for certain commodities and in certain sections, it is certainly absurd to contend that these maximums so imposed can have no effect on other sections or other commodities not so favoured. To obtain the result the Board has decided the carriers are entitled to, other business, other sections must be penalized and the Board's jurisdiction is circumscribed.

"In common with Mr. Symington, I regret Mr. Langley's remarks with reference to the Board. Similar reflections were voiced by that gentleman at Regina on April 22, 1921, which, subsequently, in a chastened spirit he was moved to withdraw with a request to the newspaper fraternity to expunge the remarks from their notes. The personnel of the Board, their high character, and the thoroughness of their enquiries, need no endorsement on my part.

"Considering the fact that the Canadian Pacific is not earning a reasonable surplus above its obligations and that the Canadian National Railways' deficits are a staggering burden on the tax payers of the Dominion, the Board of Railway Commissioners should now and for all time be allowed to exercise the full authority which it was intended to have when it was created by Parliament unhampered by any contractual conditions whatever. At this stage I want to draw your attention to the fact that the Act itself were the Board free to exercise its authority, creates discrimination which they and they only should say whether under present transportation and marketing conditions is undue or unjust or not. That they have no such authority is shown by their Judgment General Order No. 213, December 26th, 1917, in what is known as the 15 per cent case, where the Chief Commissioner remarks:—

"While it may be that the increases granted in western territory may not prove sufficient to meet the increasing demands on the companies' exchequers, they are as great as the Board can authorize on the present application, in view of the Crowsnest case, with the exception of the increases on coal rates." Coal is not mentioned in the Crowsnest Pass when they gave the increase.

"As a result subject to the limitations worked by the Crowsnest agreement as extended by this judgment and to the specific directions herein contained, the companies are permitted to raise their general rates fifteen per cent and make the specific advances herein allowed."

[Mr. Lanigan.]

All the rest of the country had a fifteen per cent advance imposed upon them except those sections of the country on those commodities affected by the Crowsnest Pass.

"It is demonstrated to-day by the fact that until Parliament disposes of this question of the Crowsnest Act they are unable to say what are equitable and just rates for the whole Dominion.

"I would like permission to deal with the question of estimated traffic and estimated decreases that form part of our president's submission and which was criticised by Mr. Symington—pages 301-304, section 9 of the evidence, May 31st. With your permission I will deal first with page 304. This estimate was submitted in August, 1921, to the Board on a proposed reduction to become effective September 1st, reducing rates which on January 1st, 1921, were on eastern lines 135 per cent and on western lines 130 per cent of rates in force prior to September 13th, 1920. The estimate was not made or submitted by Mr. Beatty, but by myself, and in doing so I pointed out that any and all estimates based on prospective business were necessarily inaccurate. No person, in August, can foretell either the volume of the crop tributary to our lines; the average haul; the ton miles or the weather conditions."

The best guess at the time was that of Mr. J. P. Jones, one of the Grain Commissioners, a man of very wide experience in the west, and he said we would have a fairly good average crop. We had, as everybody knows, something like double that.

"A good crop in Alberta and a poor one in Manitoba as compared with the reverse conditions the previous year would upset all calculations. We were not asked and did not base our calculations on the 1920 movement. We based it on what in August we might expect for the ensuing months. No one, not even the oldest crop expert in the west, anticipated in August of 1915, the phenomenal crop results. The best guess was a fair average yield. It was nearly double that. I figured on the Federal Government estimate of July, 1921, the latest available statistics showing:—

Wheat.	104 per cent of 1920
Oats.	95 per cent "
Barley.	100 per cent "
Flax.	54 per cent "

60 per cent, or 3·631 miles of our western lines in the grain belt is our main line and north; 40 per cent of our lines, or 2·413 miles is south of the main line. Of the C.N.R. mileage, 79·7 per cent or 5·355 miles are north of our main line, and 1·366 or 20·3 per cent is south. The C.N. lines in the grain belt operate a greater mileage than we do by 677 miles.

"In 1920 (September to December inclusive) we had handled 62·5 per cent of the cars inspected, but owing to the fact that, first, the C.N. was better equipped for the 1921 crop, that our southern lines crop was affected by drouth, rust, grasshoppers, etc. I figured we could not expect to handle in excess of 50 per cent of the crop for September to December, 1921."

We handled 50·1 per cent. That is how close my estimate was of the proportion of the crop.

"I naturally figured our prospective tonnage on the following basis:— 3,718,962 tons in 1920, represented 62·50 per cent of the movement—100 per cent would be 5,950,340, and 104 per cent would represent the entire crop, or 6,188,354 tons, 50 per cent would be 3,094,177. We did handle 50 per cent, but the crop exceeded the estimate and we actually handled 3,820,726 tons, or 726,549 tons in excess of the estimate. Apart from this, however, the estimate was

[Mr. Lanigan.]

based on a 10 per cent reduction for September, October, November and December, while the actual reduction did not take place until December 1st. This, I think, explains the figures submitted to the Board and the basis on which they were reached.

“Mr. Symington says he has made some inaccurate estimates, and I admit he has. On November 9th, 1921, speaking before the Board of Railway Commissioners at Winnipeg (page 15443 of the record), referring to the C.P.R. as a whole, he said:—

“The Canadian Pacific Railway Company, for the nine months of this year, 1921, earned \$21,900,000, that is, they earned their fixed charges and \$11,000,000 additional in nine months. Their net for October, November and December of last year, when wages were high was \$17,380,000, which would give them on that basis this year on their earnings up to date, a net of \$39,000,000, which will provide for their fixed charges, their dividends at their usual rate and a surplus of \$11,000,000, almost as high as their maximum years; or, if you take the same ratio of increase for the balance of these months as they have had to the end of September, and with this grain crop, I think I am safe in prophesying that the ratio will continue, their surplus, after the payment of fixed charges and dividends, will approximate \$14,000,000 to \$15,000,000 this year.”

“The net surplus of the Canadian Pacific Railway was \$755,931. I may have been misled in calculating a prospective crop in August, 1921, four months before the close of the year, but Mr. Symington’s optimistic estimate was made on November 9th, less than two months prior to the close of the year and was only out \$13,000,000 to \$14,000,000.

“Now, there is this difference: The estimates submitted to you by Mr. Beatty and Mr. Hanna are based on, not what the 1922 traffic may or may not be, but on the 1921 traffic, presuming it was duplicated in 1922. Even that must be an estimate because traffic conditions vary from year to year both as to character and classification of the tons hauled, the extent of the tonnage, and the average haul.

“That 1922 will not duplicate 1921 is demonstrated by the fact that both lines show a decrease in both tonnage and earnings as compared with 1921. In our case, up to April 30th, some \$6,000,000 of a decrease.

“The Committee is entitled to know how our estimate of decreases has been arrived at, and I will deal first with grain and grain products on Western lines.

“The earnings on Western lines on these commodities, including through traffic, local, shipments to Fort William, Vancouver, etc., were \$28,101,934 28
 From January to November, 1921, they were. 24,941,206 03
 Reduction made on December 1st—7.69 per cent.. . . . 1,917,978 74

	\$23,023,227 29
Add in actual December earnings.	3,160,728 25
	\$26,183,955 54

In order to bring these earnings back to the rates in force prior to September 13, 1920, it is necessary to reduce them from 120 per cent to 100 per cent; that is, taking the 100 per cent as representing the rates in force prior to September 13, 1920. That makes a decrease not of 20 per cent, but of 16.66 per cent, and represent \$4,364,659.26 from the basis in force on December 1, to bring the earnings back to the basis prior to September 13, 1920. This brings us back to the August, 1918, rates,

[Mr. Lanigan.]

practically. Our earnings were \$28,101,934.28, and on that basis they would become \$21,819,296.28, and the difference of \$6,282,638 represents an actual loss from the actual earnings in 1921. That is, if you restated those earnings to the basis of the rates applying prior to September 13, 1920, it would show a loss from the actual grain earnings of 1921 of that amount. (\$26,183,955 54)

“Reducing rates from 120 per cent to 100 per cent—16.66 per cent reduction.	4,364,659 26
	<hr/>
	\$21,819,296 28
 \$28,101,934 28	
21,819,296 28	
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\$ 6,282,638 00	
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“You are now down to the rate in force on grain and grain products prior to the advance of September 13, 1920, representing a loss of \$6,282,638 from actual 1921 earnings, and from the basis of December 1st, 1921, of \$4,364,659.28. Rates on grain prior to September 13, 1920, were 114.53 per cent of the Crowsnest rates, or a reduction of 12.68 per cent. Remember we are figuring on 1922 being a duplicate of 1921 in average mileage and other conditions. Our average earnings per ton on these products were, in 1921, \$3.39; this would be reduced to \$2.96. We carried 6,434,291 tons, which, at this rate would give us \$19,024,418 to bring us back to the Crowsnest basis. This would mean:—

“\$28,101,934 28 1921 actual earnings.	
19,024,418 27 Earnings on Crowsnest basis.	
<hr/>	
\$ 9,077,516 01 Reduction.	
“On basis December 1st, 1921.	\$26,183,955 54
Earnings on Crowsnest basis.	19,024,418 27
	<hr/>
Reduction of.	\$ 7,159,537 27
	<hr/>

and Mr. Symington endorses this estimate.”

By Mr. Boys:

Q. What is the Crowsnest total?—A. Seven million odd.

Q. And then you add the other on. You bring it down to the Crowsnest by the 12 per cent reduction making a total of nine million odd?—A. Yes.

Q. What is the difference between the nine million odd and the seven million odd? I thought you had it in figures there?—A. No.

Q. What are the two totals?—A. \$7,159,537.27 and \$9,077,516.01.

“Now as to other commodities enumerated under the Crowsnest Act. This must be and is an estimate. We have not segregated and cannot do so without going through the process of checking the three or four million waybills that covered the 1921 traffic, and restating each one covering Crowsnest commodities, their origin, destination, weight and rates, and calculating Crowsnest rates and totals on each. Many of these bills are through billed from connecting lines and boat lines; the percentage accruing to each connecting boat or rail carrier would have to be deducted. The Crowsnest rates applied to all Western Lines not only the Prairies but destinations in British Columbia, including to the Kootenays and to other interior points from Eastern Canada and Fort William.”

[Mr. Lanigan.]

You will notice that all this traffic is longhaul traffic. The nearest point to which any amount of traffic would be taken would be Winnipeg, 420 miles from Fort William and destinations beyond that.

By Mr. Hudson:

Q. Would not the bulk of it with the exception of binder twine be carried all the way by rail?—A. From Eastern Canada?

Q. Yes?—A. No, I do not think so; a lot of these Crowsnest commodities would be carried from Fort William.

Q. You cannot sever those?—A. No, I cannot. (Reads): "It was all long haul traffic and was carried in 1921 at the regular first to sixth class rates that were in force in 1921. Taking an average haul," (and I take Regina as an average haul) "the rates on these commodities would represent 57 per cent to 80 per cent of present rates." (That is, the rates that came into force on the 1st December). "In 1917, with small exceptions our regular class rates were down to the Crowsnest basis. Our average haul on general commodities Western Lines was, in 1917, 483 miles; in 1921, 441 miles. Our average earning per ton per mile was 1.05 cents; in 1921, 2.18 cents. Our earnings on Western Lines were \$28,142,753."

When I speak of general commodities I mean those commodities that are not what we call selected commodities, such as grain and grain products, forest products, lumber, ore, coal and products of that kind, the earnings and ton miles of which have been segregated; I mean all other traffic.

"I estimate that these earnings would be affected 20 per cent by the application of the Crowsnest rates, or they will produce a reduction of about \$5,831,291. It is impossible to give this figure accurately without the details already outlined. I am giving you my best estimate, and it is only an estimate as Mr. Beatty explained it. With reference to the Crowsnest commodities, however, I would like to call the Committee's attention that outside of grain and flour to Fort William, fruit and furniture and some of the heavier lines of implements, the reductions are confined to one line of trade, that of the hardware dealer, and to say there are many other lines of trade that have not been considered. Grain to Fort William, agricultural implements and binder twine are undoubtedly of importance to the western farmer." If the Committee will just look over the commodities outlined in the Crowsnest pass Act upon which reductions were made, and count them over, with the exception of those I have mentioned, I think you will find every one of them dealing with the hardware trade. I would like to mention in passing that there are other trades in the Canadian Northwest and in eastern Canada outside of the hardware business. (Reads): "Outside of these he buys his requirements over the counter, and I am for one, looking over my own experience, very doubtful if rate reductions are reflected to the purchaser over the counter as promptly as increases in costs or excuses for them. I am not alleging this as any justification for unduly high rates, but I am calling attention to the fact, that a system of merchandising that leaves these reductions on any other pocket than this class of consumer is faulty somewhere." I do not know where it is, but I guess your experience has been about the same as mine. (Reading) "The whole basis of Mr. Symington's and Mr. Lambert's argument is that the west produces an undue proportion of the company's net profits, and, therefore, there is a margin for special rate reductions. I will deal with that particular factor now. I wish first to emphasize the fact that after an investigation lasting from 1911 to 1914, at which every interest was heard"—and I may say that the information gathered at that investigation would fill a box car, and I am not exaggerating—"the Board of Railway Commissioners for Canada laid down the basis of rates for western Canada." They laid down that basis, and issued a judgment justifying it. "After a similar investigation in 1915, the Board outlined with equal

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thoroughness the basis of rates for all lines east of the Great Lakes. These basis were at once published, and the only variation therefrom (until the application was made and partially granted for increases) were rate decreases to meet special conditions." I will deal with the matter of the current rate decreases a little later on. "There were no rate increases, the order of the Board in the Western Rate Case is dated April 6, 1914, and the rates thereunder became effective September 1, 1914. In the Eastern Rate Case, general order No. 167, July 3, 1916, became effective December 1, 1916. The order in the Western Rate Case was only in force for part of the year 1914, from September to December, and in the Eastern Rate Case for a small fraction only of the year 1916, only one month. The year 1917 reflected, therefore, on the Company's earnings the effect of both orders, but, in 1917 our increasing operating costs due to wage and operating advances compelled an application for increased remuneration, and the Board's General Order of December 26, 1917, commonly called The 15 per cent Increase resulted." You will remember that from 1914 to 1917 the railways did not advance their prices. The war stopped in December, 1918. But you all know from personal experience that the prices of most articles used by yourselves or the railways had a substantial advance before the railways even made an application for an increase in their rates.

By Mr. Boys:

Q. During that period were any of the rates in force on the commodities mentioned in the Crowsnest Pass agreement as high as the rates on commodities mentioned in that agreement?—A. No, I don't think so. In 1917 the rates were generally lower than the Crowsnest Pass basis.

Q. Were you here yesterday?—A. No, sir, I was not.

Q. We had a little discussion about that and there seemed to be a little difference of opinion. We were told that Mr. Symington contended that from 1914 to 1917, but I think he contended that it was from 1902 to 1917.—A. For instance, the fifth class rate to Winnipeg in 1917?

Q. My question is, were the rates upon all commodities mentioned in the Crowsnest Pass agreement between 1914 and 1917 lower in that period than the maximum rates in the period covered by that agreement?—A. Either lower or equal, with the exception of fruit in less than carload lots.

Q. While we are at it, it might be convenient to clear it up. Can you say the same in regard to the rates on these commodities from 1902 to 1914?—A. No. From 1902 to 1914 there were a large number of these commodities that were carried at lower rates than the regular class rates, but, at the maximum rates given under the Crowsnest Pass agreement, which were lower than the ordinary rates.

By Mr. Hudson:

Q. There were two or three cases before the Railway Commission. The Regina rates case had something to do with that, had it not?—A. The Regina rates case had nothing to do with the Crowsnest basis.

Q. But the general effect was to reduce the rates on some of those commodities below the Crowsnest rates?—A. Some of those commodities, to Regina.

Q. Some of the commodities mentioned in the Crowsnest Pass agreement were below the rates prescribed by that agreement?—A. That is to Regina.

Q. Or to the territory out there generally?—A. I don't know but that you are right, Mr. Hudson, but I do not remember accurately enough to give you a definite reply.

By Mr. Boys:

Q. Mr. Symington contended that not until 1917—and I would like to get it settled now—did they get any benefit from the Crowsnest Pass agreement?—A. He

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got the benefit of those rates right along, up to the time that the general rate scheme was raised above the Crowsnest Pass agreement; he had the benefit of those rates from 1902 to 1914.

Q. But if the prevailing rate was lower than the Crowsnest Pass agreement it would be of no benefit?—A. It would be of no benefit, but from 1902 to 1914 it was undoubtedly a benefit, because a large number of the Crowsnest rates were below the regular rates. But in 1914, due to the board's decision in the matter, and under the circumstances under which we were operating at that time, the rates from 1914 up to the time they were raised, that is, the passage of the Act, were lower.

Q. I would like to hit that nail on the head now. That statement of yours speaks not only of grain but of all commodities mentioned in the Crowsnest Pass agreement?—A. Yes.

By Mr. Hudson:

Q. They were lower from 1902?—A. After that they were lower by 3 cents in Manitoba than the Crowsnest basis.

By Mr. Boys:

Q. And that was due to the Manitoba agreement?—A. That was due to the Manitoba agreement. (Reading): "Owing to an appeal to the Privy Council the increases granted did not come into force until March, 1918, and this was followed, owing to the McAdoo wage award, by Order in Council, P.C. 1863 of July 27, 1918. On eastern lines this meant a 25 per cent increase over the 15 per cent granted in March, but on western lines the 25 per cent increase included the 15 per cent. Then followed general order No. 308 of September 9, 1920, granting an increase of 40 per cent on eastern lines and 35 per cent on western lines until January 1, 1921, when the increase on eastern lines became 35 per cent and on western lines 30 per cent. On November 24, 1921, by general order No. 350, a further reduction was ordered, effective December 1, making the eastern advance 25 per cent and the western advance 20 per cent. So that the Committee can, perhaps, follow this more clearly and easily, I will illustrate. Taking the dollar as the standard since 1914, one dollar on eastern lines in 1916 became one dollar and five cents; on March 15, 1918, it became one dollar and twenty-one cents; on August 12, 1918, it became one dollar and fifty-one and a half cents; on September 13, 1920, it became two dollars and twelve cents; on January 1, 1921, it became two dollars and four and a half cents; and on December 1, 1921, it became one dollar and eighty-nine cents. On western lines one dollar in 1914 became on March 15, 1918, one dollar and fifteen cents; August 12, 1918, one dollar and twenty-five cents; September 13, 1920, one dollar and sixty-nine cents; January 1, 1921, one dollar and sixty-two cents; and on December 1, 1921, one dollar and a half." You have followed the purchasing capacity for freight up and down with the value of the dollar. (Reading): "The rates of both eastern and western lines have been established by the board's orders in 1914 and 1916, freight transportation that cost in 1914 to the eastern producer \$1 advanced 89 cents, and it advanced to the western purchaser 50 cents. Of course there are exceptions to this rule as in the different advances granted certain commodities were excluded. The rate per ton per mile on the company's eastern and western lines will, however, indicate the actual results. 1917 was the first year that the board's 1914 and 1916 orders were effective throughout the year, without any change except those incident to usual business. That year on eastern lines we earned 69 cents per ton mile. In 1921 the only change in rates were those under the board's order effective December 1, (applicable for one month only on both eastern and western lines) the rate per ton per mile was \$1.23, an advance of 54 cents per ton per mile, or 78.3 per cent. On western lines, the return in 1917 gave a rate of 70 cents per ton per mile, and in 1921 1.16 cents per ton per mile, or an advance of 46 cents per ton per mile, or 65.7 per cent."

[Mr. Lanigan.]

By Mr. Shaw:

Q. What year was that?—A. On eastern lines, 1917. That was after the Board's orders became reflected in our traffic. The only change in 1921 was the reduction which was made for one month, the month of December. That was made on both eastern and western lines. Our return for hauling a freight ton one mile on eastern lines was 78.3 per cent greater than it was in 1917. Now see how accurate the Board was in its decision in 1914 and 1916, and the 1914 decision was entirely of a case, a complaint that Western lines were being discriminated against owing to the rates that were in force on Eastern lines. When their orders became reflected, the earnings of the Company in 1917 on Eastern lines were .69 per cent and on Western lines .70 per cent, a difference of $\frac{1}{400}$ ths per cent. The Board made a pretty accurate levelling up of the rates.

"I wish to draw the Committee's particular attention to the fact that Eastern and Western lines' earnings in 1917 after the Board's investigation were practically the same; in 1921 Western lines were paying on their general traffic less for the haulage of freight per ton per mile than Eastern lines."

By Hon. Mr. Crerar:

Q. Are those gross returns?—A. Gross returns, oh yes. The actual returns were made for hauling a ton of freight one mile.

Q. I want to be clear on that point.—A. Yes.

By Mr. McConica:

Q. Was it not cheaper to haul your long hauls in the west than your short hauls in the east?—A. Yes. I am coming to that, Mr. McConica. There is perhaps a little apprehension in some people's minds on the question of the long haul on low class commodities. I will be glad to relieve any misapprehension you have on that score.

"Keeping in mind the fact that about 85 per cent of the grain moving over Eastern lines is the product of the west moving by rail from the head of the lakes or from bay ports to domestic or export destinations at water or American rail compelled rates, particularly to West St. John and that export rates from bay ports to Montreal and St. John are competitive, with the Buffalo and New York gateways. If we did not meet the situation American harbours, American routes and foreign shipping would be built up at the expense of our own trade routes, our own harbours and our own marine. The ports of Montreal, Quebec and St. John would inevitably suffer. The water rate on grain from Fort William to Buffalo and the rail rate from Buffalo to New York, a distance of 437 miles, competitive with canal, is the controlling factor. The distance from Port McNicoll, where we receive the western grain for export via Montreal, Quebec or West St. John is to Montreal 370 miles, competitive with direct water route, and to Quebec 558 miles, and West St. John 837 miles. That our efforts to build up Canadian ports, Canadian shipping, and to develop Canadian harbours have been successful I point to the rapid expansion of these interests that Montreal has been the major grain shipping port of America. That the harbour of Quebec is becoming increasingly a factor in the grain trade, while the port of West St. John, our main winter outlet, has made wonderful strides. Evidence submitted to the Board in the late hearings (Exhibit No. 93) showed that the rates so compelled were unprofitable, but in any event they had the effect outlined, and Canadian railway employment, Canadian routes, Canadian ports and the Canadian west benefited. Let us compare the advance in grain returns between 1917 and 1921 to the company per ton per mile. The return per ton per mile on Eastern lines on grain was 42 cents; on Western lines, 50 cents. Take the return in 1921 to the carrier per

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ton per mile, Eastern lines, grain 74 cents, an increase of 76.2 per cent. On Western lines, grain, 86 cents, an increase of 72 per cent.

"We operate on Eastern lines 4,827.3 miles of railway and Western lines, 8,166.5. Our tonnage on Eastern lines per mile of railway in 1921, 3,255 tons; on Western lines, 1,663. Our earnings on Eastern lines per mile of railway were \$11,445; on Western lines, \$8,857. The average haul on Eastern lines was 284 miles, and on Western lines 441 miles. Eastern lines carried per mile 95.7 per cent more tons and earned per mile 29.2 per cent more revenue. The average haul on Western lines was 55.2 per cent higher than on Eastern lines, while the actual mileage operated on Western lines, was 69.2 per cent greater than on Eastern lines, and the earnings only 30.1 per cent greater. The density of traffic on Eastern lines is 95.7 per cent greater than on our Western lines."

We are carrying grain from Quebec and Montreal and Fort William direct at rates competitive with lines running from Buffalo, New York, Baltimore or Philadelphia, which are competitive with the canal route and carry a much higher density of traffic than we may hope to have for a great many years.

By Hon. Mr. Crerar:

Q. That does not apply to the grain you carry after the close of navigation on the lakes, does it?—A. We don't carry after the close of navigation on the lakes.

Q. Perhaps I stated it incorrectly. I understood you to say that the grain you hauled all rail after the close of navigation, the rate was fixed by the lake and rail to Buffalo and to New York. Is that correct?—A. Yes. You are quite right and I am quite right also. You are speaking now of the rates from Fort William to West St. John. Of course Montreal is not a factor after the close of navigation, because navigation at Montreal is closed. The rate from Fort William to West St. John is to-day 35½ cents. The navigation opens at West St. John, as you know naturally just at the close of the season at Montreal, so that navigation is continuous. You stop at Montreal and you open automatically at West St. John.

By Mr. Michaud:

Q. It is always open at St. John?—A. Yes, but we don't use a route 891 miles where we can use a route 438 miles in the summer time. When those boats start out of West St. John they must have cargoes. Those cargoes are naturally moved from Fort William to West St. John before the close of navigation on the Great Lakes. We would have very small opportunity indeed of making export contracts for West St. John, if our rates from Fort William to West St. John were different from what a man could move that grain in some other direction for. Consequently our first cargoes are very much affected from Fort William to West St. John by whatever other current rate there may be from New York, Baltimore or any of those ports.

By the Chairman:

Q. To Buffalo?—A. Via Buffalo and water and that is why competition on the water rate is reflected into the winter months that you can have from Fort William. The same situation governs at Duluth, where the rate from Duluth to New York is exactly the same, 35½ cents, and of course we could not exceed from Fort William a rate of 35½ cents as against the competitive rate from Duluth, Superior and Gladstone, and all those rates as you can see are affected by—take your own position; you of course understand the grain business very much better than I do. Now, that is the position at the opening of navigation. You quite understand if we went to your company and wanted to charge you 50 cents and you could forward your grain at a very much lower rate via New York, you would naturally take the New York rate. That is the situation at the opening of navigation, but let us take the season as it goes on. You understand it much better than I do.

[Mr. Lanigan.]

By Hon. Mr. Crerar:

Q. I don't know that I do.—A. You are a grain man. I am only a railway man, and I am a very crude railroad man at that. I am just commencing to find out at this stage of my railroad career that I don't know as much as when I started, and the longer I stay in it, the less I know.

Mr. Boys: Don't be too modest, or you won't convince us.

By the Chairman:

Q. The opening of navigation you mean now?—A. We have to start our grain from Fort William prior to the closing of navigation to get it to West St. John in time for the opening of navigation, if I might call it, although it is open all the time.

Q. The opening of the grain business?—A. At West St. John.

By Mr. Boys:

Q. Even at that stage, don't you move it by water from Fort William to Montreal and from Montreal to St. John?

By the Chairman:

Q. You would be hauling a good deal from Port McNicoll.—A. Yes, we handle a good deal from Port McNicoll to West St. John, and if you will notice from Port McNicoll to West St. John, that grain that is stored at Port McNicoll might as well have been stored at Buffalo because the water rate from Fort William to Port McNicoll is sometimes a little higher than it is to Buffalo and rarely it is as low as Buffalo rates; sometimes it is. You have grain at Port McNicoll and at Buffalo and your water route from Montreal is locked up. Your grain is at Port McNicoll and some of it is at Montreal. It has not been all taken up. It is stored in the Harbour Commissioner's elevator there. What happens? You take that grain from Port McNicoll to West St. John at the same rate as it could be taken from Buffalo to New York.

Q. That is 800 miles as against 400 miles, roughly?—A. Yes.

Q. And the big proportion of your winter rate for export originated from Fort William?—A. Yes, if you don't make your rates from Port McNicoll to West St. John, a distance of 891 miles, in competition with the rate from Buffalo to New York, 430 odd miles, what would happen to the grain that is stored. The grain would not be stored at Port McNicoll. It would go to Buffalo and it would go out by an American harbour; the American transportation men and the American employees would get the money; the American marine and the American harbours would be developed at the expense of our Canadian interests. I am not speaking politically, I am just mentioning what every sensible man knows as to the fact. Dealing with the carriers question, I have explained about the grain from Fort William at the opening of the grain season which is before the closing of the water season. Now then navigation opens some time between April 1st and May 1st at Fort William, and you are moving the grain. The navigation closes around December 12th to the 15th on the Great Lakes, so we start to move our export grain by rail from Fort William in order to have it in time at West St. John to load the ships that start from there at the close of navigation on the St. Lawrence; we have got to start that grain moving in October, and it continues on until the end of the year, into January at the rates contracted for competitive with the water rates. Now after the first contracts are over, the dates of the preliminary sailing from West St. John, what happens after that is that we still want grain for those boats. You cannot run them without putting grain in them, to trim them if you do nothing else. The exporter holds the grain at Fort William, has the choice of holding that grain at the cost of storage from that date, we will say the 15th of January up to the opening of navigation, some time in April, and paying the storage on it and getting the advantage of the water rates direct to Montreal after the opening of navigation or via Port McNicoll

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and Montreal or via Buffalo and New York, or ship it all rail from Fort William to West St. John. That is the class of competition the rail carrier, both the Canadian National and ourselves, in handling grain via St. John and Halifax as confronted with from the opening of the rail season to the opening of navigation the following year, so that you will see the water competition is reflected on the rail business from the time of the close of navigation on the Great Lakes until the opening of navigation the following year.

By Hon. Mr. Manion:

Q. As a matter of fact, does your rail rate go up at all during that period of close of navigation?—A. No.

By Mr. Michaud:

Q. Your cost of transportation from Fort William to West St. John from the last part of December to January is more expensive on account of the cold weather?—A. Yes. There is no question or doubt. Now it is very hard to segregate railway costs on any particular commodity and say that it costs you so much to haul that particular commodity to such and such a point. It may cost you a good deal more one day than it costs you another day. It makes a good deal of difference whether you have one ton or twenty or a hundred tons in one car. All those factors make a difference. But I do know this, that taking any scale you wish to apply, the Interstate Commerce scales, our own gross ton miles scales, you cannot find where a railway company gets any remuneration whatsoever for carrying grain to West St. John or in fact to Montreal.

By Mr. Hudson:

Q. It is just a patriotic contribution that the C. P. R. is making?—A. Not at all. Don't make any mistake on that. We are no more patriotic than you are yourself.

By Mr. Boys:

Q. That suggestion was partly involved in the question I was going to ask you. You say you are controlled by the rate from Buffalo owing to the rate you have to give, that that partly at all events accounts for your high operating costs in Eastern Canada. While you don't suggest the westerner benefits by that, you do say that by virtue of the work you are doing that it is held for Canada and does not go to the States? Is that a fair statement?—A. That is a fair statement.

By Mr. McConica:

Q. As to the number of tons in your car making a difference in the costs, is it not a fact you charge so much per car regardless of the amount for the same sized car?—A. No, we charge so much per hundred pounds and that rate per hundred pounds is certainly affected very frequently by the average loading of a car. You can quite understand that taking light and delicate freights, such as furniture, a light class of vehicles, such as buggies, that loads only from 8,000 to 12,000 lbs. in a car and that the average tare of a car is 17½ tons, and your maximum load of that class of stuff that you can put in a car is only from four to six tons must affect it naturally.

Q. I am speaking of grain.—A. The grain on western lines loads very close to the maximum loading of the car.

Q. If it is not a maximum load, you charge the same don't you?—A. No, we don't charge the same. We charge you for the minimum load whether you put it in or not, but we don't charge you for the maximum load whether you put it in or not.

By Hon. Mr. Manion:

Q. Just one question before you get away from the West St. John matter. What do you bring in those cars when you are sending them back to the west?—A. A little import traffic, but the import traffic of course is generally merchandise of a con-

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centrated form of value which does not load the car. We have a tremendous percentage of empty cars moving in the winter months from West St. John back.

By Mr. Boys:

Q. Have you any idea what the percentage of empties westbound would be? I mean for the grain trade?—A. I will give you that later on.

Q. Is your rate on grain made from Fort William or Port McNicoll to West St. John, or is it made right from Port McNicoll to Liverpool when you quote a rate to the shipper?—A. We quote the rate both ways, the exporter holding the grain at Fort William always makes a contract through, which means that they must ship within a certain time from the lake front and he must clear from the seaboard. We generally call it splitting months into half. For instance, we make a contract for shipment, the first half clearance in December and the second half clearance on the first of January as the case may be, and he gets a through contract.

Q. Can you tell us whether the water rates from St. John West is lower to New York than from Buffalo to New York? Is the rate lower or higher?—A. The rates on all Atlantic ports are the same.

By Mr. McConica:

Q. If your cars were shipped east more slowly, the shipments sent over a year would not there be a larger percentage of your cars in the west loaded than there is under the present arrangement?—A. No; because the purchasing capacity would be the same. You would not increase your westbound loading at all. That is, your average westbound loading would be just the same as it is now, but it would be better distributed so far as the return of empties is concerned.

Q. Then your empties or returning cars are more than sufficient to carry westbound freight?—A. Oh, yes; very much more.

By Mr. Boys:

Q. You have, I suppose, to keep a great many cars in hand just for the grain traffic?—A. I will give you that later.

By Hon. Mr. Crerar:

Q. In reference to the answer you gave to Mr. Duff's question about through rates, do I understand your meaning to be that it is customary for grain exporters to get through rates from Fort William to Liverpool?—A. The rate is made to West St. John, and then the exporter makes an ocean contract; he makes two contracts, lake front clearance and seaboard clearance.

Q. I did not think Mr. Duff was quite clear on that?—A. I see.

The CHAIRMAN: There are three rates in the export of grain: From the country elevator to Fort William, Fort William via lake and rail or all rail to the seaboard, and from the seaboard to the European market.

Hon. Mr. CRERAR: Yes.

Mr. DUFF: What I wanted to know was whether shippers in the West could ship their grain via Buffalo to New York and then by water to Liverpool cheaper or as cheap as they could ship from Fort William to West St. John and then to Liverpool?

The CHAIRMAN: The rate would be the same.

WITNESS: Yes, it would have to be.

By Mr. Hudson:

Q. A very large proportion of the grain does go via Buffalo and New York?—A. Yes.

Q. Possibly Mr. Duff would like to know why it does go that way if the rates are the same?—A. None of the grain goes via Buffalo or New York during the

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winter season. During the summer season it is controlled by the lake rate, which is sometimes less to Buffalo than it is to the Canadian lake ports such as Midland, Collingwood, Port McNicoll and other ports of that type.

By Mr. Boys:

Q. Why is that?—A. I do not know. We are not grain carriers on the lakes, Mr. Boys, and I only happen to know that the rates to Buffalo are cheaper than to Port McNicoll. I can only give you my opinion as to the reason for that.

Q. Is it because there are more American bottoms available?—A. No; but they can get a return cargo of coal going up the lakes, and consequently I suppose they feel they can go to Buffalo and come back to Superior, or Fort William for that matter, with American coal cheaper than they can go on the shorter trip to Port McNicoll and return from that point empty.

By the Chairman:

Q. I am told that more than 50 per cent of the Canadian wheat exported is handled through New York brokerage houses. I suppose that would be a factor in directing it?—A. Depending on what available boats there happened to be. The man that has the grain at the seaboard has opportunities to make contracts that the man at Fort William has not got.

By Mr. Boys:

Q. What about your return cargo from Port McNicoll to Fort William. Do you have any difficulty in getting full cargoes?—A. For our boats?

Q. Yes?—A. Our boats are not a factor in the grain carrying business; they are purely package freight carriers. Southbound we carry millstuffs, and West-bound we carry merchandise.

Q. You have no grain boats?—A. We do carry an occasional small lot of grain in our boats.

By Hon. Mr. Crerar:

Q. Your boats are passenger boats?—A. Yes.

By Mr. Boys:

Q. I thought you had boats capable of carrying 300,000 or 400,000 bushels of grain running between Port McNicoll and Fort William?—A. No; they are all outside boats.

By Mr. Shaw:

Q. Is there a considerable amount of American grain traffic from Buffalo to Montreal?—A. Not by rail.

Q. Do you know of any recent increase in the lake steamship rates in order to prevent a decrease in the rail rates from Port McNicoll to Montreal?—A. No.

By Mr. Hudson:

Q. I am told a large quantity of corn went to Europe via Montreal from the western states last year. Do you know anything about that?—A. No; I do not think we handled very much corn last year. We occasionally handle corn at Port McNicoll via Montreal, but not via St. John.

Mr. VIEN: What Mr. Hudson refers to, I think, are the shipments of American corn through Montreal and Quebec last year by rail.

The CHAIRMAN: That was the year before last.

Mr. VIEN: Last year also, Mr. Chairman; last year particularly.

Q. Those were due to the advantage created by the rate of exchange?—A. Oh, yes; there were shipments that way owing to the fact that they could pay in Canadian

[Mr. Lanigan.]

money. There always has been and always will be corn shipments via Port McNicoll or via Midland and Montreal. There was last year and the year before. The exchange situation helped that very much, because as I said before, our rates from Port McNicoll, and other companies' rates from the other lake ports were, of course, payable in Canadian money, and if they had shipped from Buffalo they would have paid in American money, and that attracted quite a lot of business. But no matter what the exchange situation is, we publish a rate from Port McNicoll, and the other lines from Midland, which is competitive with the Buffalo and New York route. Consequently, as a common carrier, if a man comes over with corn we have to carry the corn; the rate is an open one to everybody, and in competitive with the Buffalo route.

By Mr. Hudson:

Q. I am not suggesting that it was wrong to do it. I am sure you would like to have all you can get out of it?—A. Some person referred to the question of patriotism a little while ago.

Q. I do not want you to misunderstand my use of the word. It was not with the idea of reflecting upon the C.P.R.?—A. I am not talking about Mr. Hudson's patriotism or my own.

Mr. DUFF: It is beyond question.

By the Chairman:

Q. In other words, you were not doing business merely for the sake of your health?—A. Dr. Johnson made a remark about patriotism, and I do not want to come under that. But we do not carry grain from Port McNicoll to west St. John at a loss from motives of patriotism. We could say, "Well, we will let that grain go via American routes. It does not pay us to carry it from Port McNicoll to St. John for export, and we will let it go via American routes." I do not think, however, that that attitude would benefit the Canadian Pacific Railway. We are a purely Canadian corporation, and must do some of our business at a loss. Then surely the grain grower in the west is just as patriotic as railways are, and does not want to see his grain going via Buffalo and American carriers when he can send it via Canadian routes.

Q. In other words, you have to give a total gross rate on grain from the point of production to the seaboard for export, wherever it comes from?—A. Yes.

By Mr. Hudson:

Q. More than half the grain from western Canada does go out via Buffalo and New York,—60 per cent of it, I am told?—A. A very large percentage of it goes via Buffalo because of the opportunities of getting a return cargo.

Q. And traffic will take the course along which it can move most easily and most cheaply?—A. Yes.

By Mr. McConica:

Q. And, as a matter of fact, the farmer of the west does not have anything to do with routing it in that way?—A. I do not know that he has anything to say about it after he loads it on the cars.

By Mr. Shaw:

Q. Is not the C.P.R. interested in furnishing ballast for those ships at St. John?—A. We could furnish that ballast in a variety of forms, so far as that is concerned, but it is not ballast. Do not make any mistake about that.

Q. You used the word "trimming"?—A. There was a time when we did carry grain, and I have myself contracted to carry grain from Montreal to Liverpool and pay the shipper of the grain one farthing per quarter because the grain was put into this gentleman's vessel and was lifted out of it without any expense to himself, and

[Mr. Lanigan.]

that was about the cheapest kind of ballast he could have. But times are changed. A passenger steamer has to have some kind of cargo that will trim that steamer, but grain is not the only thing.

Q. Is it not one of the most convenient things?—A. To the boat, yes.

Q. Do you know of any decrease or credited decrease by the American railroads on the rate from Buffalo to New York and ocean ports within the last month and a half or so?—A. No, I do not handle our export business; the other portion of the business is about all I can handle.

Q. Who would be familiar with that?—A. Both railways have export men.

Q. What is the name of your export man?—A. Our man is Mr. E. M. Todd.

May I proceed with my statement, Mr. Chairman?

The CHAIRMAN: Yes.

WITNESS (Reads): I have prepared a table of these so that the Committee can see the picture more clearly:—

“YEAR—1921

	Eastern.	Western.	
Miles operated.	4,827.3	8,166.5	West. Lines x 69.2 per cent.
Tons per mile of line.	3,255	1,663	East. Lines x 95.7 per cent.
Freight earnings per mile of line.	\$11,445	\$8,857	East. Lines x 29.2 per cent.
Average length of haul. . . . .	.284	441	West. Lines x 55.2 per cent.
Total Freight Earnings.	\$55,993,883	\$72,855,561	West. Lines x 30.1 per cent.
Earnings per ton per mile. . . . .	.1.23c.	c1.16	East. Lines x 6.0 per cent.
Grain earnings per ton per mile. . . . .	.74c.	c .86	West. Lines x 16.2 per cent.
All other traffic except Grain and Grain products. . . . .	.1.61c.	c1.55	East. Lines x 3.9 per cent.
“Western earnings on Grain and Grain Products.			\$ 28,101,934 29
All freight earnings.			128,849,445 63
All earnings.			193,021,854 40

By Mr. Vien:

Q. Do these figures conflict with the statement made by Mr. Symington the other day?—A. They will conflict.

The CHAIRMAN: Let Mr. Lanigan finish his statement.

The WITNESS: They will conflict, but they have not conflicted so far.

“Percentage of all Freight Earnings.	21.8 per cent.
Percentage of all Earnings, Grain Traffic.	14.5 per cent.
Grain and Grain Products, Earnings for months	
October to December, western lines.	\$16,017,869 89
Percentage of all Freight Earnings of the Company, represented by the movement of all Grain from	
October to December.	12.4 per cent.
Percentage of all Earnings of the Company, represented by the movement of Grain.	8.3 per cent.

That is, of the Company’s entire earnings—I would like you to keep that in mind.

“Grain to Fort William, 1921 earnings.	\$19,663,369 53
Percentage of all Freight Earnings.	15.3 per cent.
Percentage of all Earnings.	10.2 per cent.
Grain to Fort William, October to December represented on our lines.	\$12,987,254 82
Percentage of all Freight Earnings.	10.1 per cent.
Percentage of all Earnings.	6.7 per cent.

[Mr. Lanigan.]

I have prepared a few tables upon that, because I am going to give later on the enormous profits made on that 6.7 per cent that Mr. Symington outlined, the enormous profits to the Company in the way of net revenue, that that 6.7 per cent, or call it 7 per cent, was to supply, and taking all the grain to Fort William or all the movement of grain I would like after lunch to show how impossible it was that such an infinitesimal percentage of the Company's earnings could supply such a wonderfully large share of its net profits, and I will show you if I can that it is not right.

The CHAIRMAN: Before we leave the room, would half past three o'clock this afternoon be satisfactory to the members to meet again? I think it is better to meet in the afternoon than in the evening. I think we are tired by the time evening comes.

Mr. MACDONALD: I would move that we meet at 3.30 p.m.

Some hon. MEMBERS: Make it 4 o'clock.

The CHAIRMAN: If a majority of the members say 4 o'clock that will be satisfactory to me.

The Committee adjourned at 1.10 p.m. until 4 o'clock p.m.

The Committee resumed at 4 o'clock p.m.

The CHAIRMAN: Mr. Lanigan, will you please proceed.

WITNESS: This morning I concluded with giving a statement of the percentage that the grain earnings all together represented of our traffic and the percentage that the grain earnings to Fort William represented of our traffic, and the percentage that it represented to the whole earnings as well as to the freight traffic.

"The movement of grain on Western lines is a seasonal movement. It is largely a one-crop country, the chief and principal product grain. Like the farmer who receives his money for the whole year after harvest the carriers earnings are necessarily largest when the country has something to move. The crop generally reaches the carrier about October 1st and the movement continues to the close of navigation, about December 12th. I have prepared a statement showing the total grain movement on our Western lines, showing the percentage of the grain traffic moving each month for the years 1917 to 1921; this includes the full movement regardless of destination. Another, the total tonnage movement on Eastern and Western lines, the percentage of the revenue, and the percentage of service entailed measured by ton miles. The third represents the tonnage and earnings to the Lake Front and the percentages for each month."

I have prepared a statement showing the total grain movement on our Western lines, that is, when I say the total grain movement I mean all the grain that moved, whether from Fort William to Vancouver or locally, showing the percentage of the grain traffic moving each month for the years 1917 to 1921. I filed a copy of this statement with the Chairman in full. I am filing separate copies of these special exhibits.

GRAIN TONNAGE (WESTERN LINES)

	Year 1917		Year 1918		Year 1919		Year 1920		Year 1921	
	Tons	%	Tons	%	Tons	%	Tons	%	Tons	%
January.....	445,964	7.2	329,241	7.8	251,009	7.2	353,115	6.6	497,492	8.8
February.....	292,019	4.8	302,428	7.1	184,505	5.3	307,757	5.7	316,538	5.6
March.....	391,681	6.3	323,738	7.6	164,653	4.7	320,044	5.9	366,909	6.5
April.....	398,529	6.5	418,438	9.8	186,085	5.3	287,037	5.4	257,107	4.5
May.....	768,810	12.5	239,358	5.6	171,412	4.9	164,413	3.0	168,781	3.0
June.....	535,518	8.7	206,364	4.9	140,530	4.0	137,661	2.6	179,190	3.2
July.....	378,323	6.1	92,574	2.2	179,810	5.1	191,951	3.6	199,634	3.5
August.....	170,537	2.8	55,822	1.3	104,992	3.0	133,317	2.5	168,947	3.0
September.....	344,976	5.6	160,188	3.8	474,236	13.0	435,663	8.1	740,849	13.1
October.....	910,092	14.9	689,625	16.2	655,077	18.7	1,023,968	19.2	1,161,513	20.6
November.....	1,058,979	17.1	711,339	16.8	581,792	16.6	1,090,359	20.4	942,727	16.7
December.....	462,461	7.5	717,425	16.9	411,279	11.7	907,437	17.0	650,391	11.5
Totals.....	6,157,889	100.0	4,246,540	100.0	3,505,380	100.0	5,352,722	100.0	5,650,078	100.0

Office of Freight Traffic Manager, Canadian Pacific Railway Company, Montreal, February 13, 1922.

GRAIN

	Grain Tonnage.	Percentage of Traffic	Percentage of Revenue	Percentage of Service as measured by Ton Miles
Year 1917—				
Eastern Canada.....	2,146,672	10.2	12.0	19.9
Western Canada.....	6,157,889	34.3	33.6	46.7
Year 1918—				
Eastern Canada.....	2,251,162	10.2	12.9	20.4
Western Canada.....	4,246,540	28.5	22.2	29.3
Year 1919—				
Eastern Canada.....	2,059,885	11.5	11.7	19.6
Western Canada.....	3,505,380	25.9	18.1	24.6
Year 1920—				
Eastern Canada.....	2,123,736	10.3	11.1	18.5
Western Canada.....	5,352,722	32.2	30.6	39.4
Year 1921—				
Eastern Canada.....	2,598,504	16.3	17.0	28.4
Western Canada.....	5,650,128	39.8	36.1	49.0

Office of Freight Traffic Manager, Canadian Pacific Railway Company, Montreal, February 13, 1922.

TONNAGE AND EARNINGS ON GRAIN FROM ALL POINTS RECEIVED AT PORT
ARTHUR AND FORT WILLIAM FOR YEARS 1920 AND 1921

Months	1920				1921					
	Tonnage		Revenue		Tonnage		Revenue			
	Tons	%	Amount	%	Tons	%	Amount	%		
			\$	cts.			\$	cts.		
January.....	134,348	3.9	361,475	98	1.9	136,750	3.6	566,858	24	2.9
February.....	71,398	2.1	112,068	68	0.6	96,338	2.5	225,960	07	1.1
March.....	68,022	2.0	127,376	43	0.6	130,062	3.4	318,967	55	1.6
April.....	105,943	3.1	207,969	11	1.1	122,014	3.2	463,843	29	2.4
May.....	65,261	1.9	130,912	28	0.7	108,269	2.9	401,359	47	2.0
June.....	50,712	1.5	131,655	60	0.7	90,833	2.4	444,044	05	2.3
July.....	125,910	3.6	377,858	94	2.0	132,923	3.5	603,591	27	3.1
August.....	93,630	2.7	263,907	12	1.4	117,496	3.1	460,966	37	2.3
September.....	317,239	9.2	1,450,991	86	7.6	614,938	16.3	3,190,524	40	16.2
October.....	844,836	24.5	5,428,445	34	28.5	990,035	26.2	6,094,017	80	31.0
November.....	878,538	25.4	5,759,630	12	30.2	782,068	20.7	4,752,646	01	24.2
December.....	693,349	20.1	4,704,956	36	24.7	459,826	12.2	2,140,591	01	10.9
Total.....	3,449,186	100.0	19,057,247	82	100.0	3,781,562	100.0	19,663,369	53	100.0

Office of Freight Traffic Manager, Canadian Pacific Railway Company, Montreal, June 3rd, 1922.

"The Canadian Pacific, or for that matter the Canadian National, do not operate separate railways divisionally, provincially or sectionally. The Canadian Pacific is one line, each section complementary to the other, each performing a measure of service for the other. I quote the conclusions of the Board of Railway Commissioners on this subject, page 16, chapter VI, Western Rate Case, which shows the fallacy of attempting to subdivide operating revenues or costs:—

"A more striking instance of the manner in which the application of the prorating principle works out is shown by the Lake Superior Division, which is in Eastern Canada. This division running as it does in great part through a wild and practically unsettled country accompanied with great operating difficulties, and with, of course, the lowest production of local tonnage per mile of line of any part of the C.P.R., nevertheless, is shown to make good returns. It has been called by all Counsel engaged in this inquiry a bridge over which commerce is compelled to move, the simile of a bridge, of course, being employed by reason of the fact that practically no more local traffic is obtained than would be found in running over a bridge, which, of course, is nothing. Yet as a result of the manner in which the railway's accounts have been divided, and which have been adopted by Counsel for the different complainants, the Lake Superior Division is shown to be highly productive, the returns, for example, in 1911, crediting that division with a net operating revenue of \$4,731,287.44, only exceeded by that of Manitoba and Alberta, while Saskatchewan's net operating revenue is shown as \$3,745,071.12, a division producing a very large proportion of Western traffic. On its face, of course, these figures which show the Lake Superior Division to be profitable and one on which a comparatively low local freight rate should be enjoyed, leading, of course, to an absurd conclusion.'

'As a matter of strict accuracy, it is almost impossible to divide one Company into eight divisions in such a manner as to really make these divisions in effect eight companies, which would, of course, insure a proper system of credits being granted, and which would undoubtedly give proper credit to districts originating freight.'

[Mr. Lanigan.]

Again on page 20, speaking of the loss shown in the operating of the Atlantic Division:

'The result is that the western provinces, producing as they do grain and flour, and interested as they are in a cheap furtherance rate, not only within their own borders, but to the seaboard, instead of being injured are largely benefited by the scale of rates applicable on the Atlantic Division.

'This is again but another evidence of the fact of the similarity of interest that exists in the country, and the mistake that has been made in this case of treating the rate situation very largely from a local or provincial standpoint.'

"And again on page 17:

'In the matter of water competition there can be no doubt at all as to the efficiency of the water-ways spread through eastern Canada from its easterly coast and terminating with the western limit of the most westerly division of the east—at Port Arthur and Fort William.'

'It should, however, be borne in mind that while water competition is urged as being a reason for a low rate standard in the east, the water rate with resultant low freight has probably played a greater part than any other factor in the prosperity of the west. The additions to water facilities which from time to time have been made are largely demanded by the necessities of providing the cheapest and quickest outlet for the ever-increasing productions of western Canada. This affords but an additional instance of the fact that an enforced lower rate structure in the east is not as much productive of injury to the west as has been claimed.'

"Now, Mr. Symington points out that the operating revenues in the west from 1916 to 1920, inclusive, were 20 per cent greater than in the east. He did not stress the fact that the western mileage was 70 per cent greater, and the western average haul 30 per cent longer. He shows the 1921 figures about the same increase for western lines over eastern lines. He gives the operating revenues.—

East	\$ 85,500,000
West	101,900,000
	<hr/>
	\$187,400,000
	<hr/>
Net Earnings, East	\$11,000,000
" " West	30,000,000
	<hr/>
	\$41,000,000
	<hr/>

I have made these quotations from our annual report for the year 1921. Our annual report shows, at page 29, under the head of Earnings, as follows:

Passenger	\$ 41,565,884.99	or 21.5%
Freight	128,849,445.63	or 66.8%
Mails	2,939,258.56	or 1.5%
Sleeping car, etc.	19,667,265.22	or 10.2% of total revenue
	<hr/>	
Total	\$193,021,854.40	

Our operating expenses are shown as \$158,820,114.09, and our net profits as \$34,201,740.31.

"Taking Mr. Symington's figures, the net east and west was roughly \$41,000,000 according to his system of accounting, but this is an inquiry into freight rates, and as I understand it, it is an inquiry strictly into freight earnings of the company, and

[Mr. Lanigan.]

it must narrow itself down to freight returns. The freight earnings of the company were \$128,849,445 divided as follows:

Western Lines	\$ 72,855,562
Eastern Lines	55,993,883
	<hr/>
Total	\$128,849,445

"Now let us apply Mr. Symington's operating ratios—east 77.21 per cent, west 70.24 per cent. That is the operating ratio Mr. Symington spoke of; he said it took to earn \$1, 77.21 per cent in the East, and 70.24 per cent in the West. I have shown you in a previous exhibit how these freight earnings work out per mile of line; eastern lines, \$11,445, western lines, \$8,857. That is simply to simplify it. The result is obtained by dividing the eastern mileage into the eastern freight earnings, and the same process for the West."

By Mr. Hudson:

Q. In figuring your net earnings for 1921, have you not in your annual report deducted the fixed charges?—A. No, sir. The fixed charges come off, Mr. Hudson, after we get the net. I am reading now from the forty-first annual report of the company, dated December 21, 1921; net earnings in round numbers \$41,000,000, deduct fixed charges, \$11,500,000, leaving a surplus of \$22,600,000; deducting \$500,000 from that amount for pension fund leaves \$22,100,000, after deducting dividends there is a surplus of \$755,391.50.

Q. We were asking whether in your net earnings you were deducting fixed charges at all?—A. No fixed charges at all, quite right. I quoted a while ago to you what the earnings of the Canadian Pacific Railway and the percentage that each field of endeavour showed to the gross earnings of one hundred and ninety-three million odd dollars. "Applying Mr. Symington's operating ratios we get a net earning per mile of line in eastern Canada of \$2,609, and in western Canada of \$2,636, a difference in net freight earnings of \$27 per mile of railway, or 1.03 per cent higher in the West than in the East, and not 157 per cent as claimed by Mr. Symington. Certainly no railway accountant could arrive, from any figures we supplied in any rate case by any accepted system of mathematics, at any such astounding conclusion as Mr. Symington's. Let us take the figures in gross.—

Western Lines, Freight earnings	\$ 72,855,562
" " Operating ratio, 70.24 per cent	51,163,757
	<hr/>
Net earnings West	\$ 21,691,805
	<hr/>
Eastern Lines, Freight earning	\$ 55,993,883
" " Operating ratio, 77.21 per cent	43,232,877
	<hr/>
Net earnings east	\$ 12,761,006 "

(According to Mr. Symington).

"This represent a total net profit according to Mr. Symington's ratio on the freight traffic of the Canadian Pacific Railway of	\$ 34,452,811
But the total net profit from all sources of the Canadian Pacific Railway for 1921 as per annual report was	34,201,240
	<hr/>
	\$ 251,571 "

[Mr. Lanigan.]

That is greater than the total net profit the Canadian Pacific Railway made in every field of endeavour in which it was engaged.

"This shows, according to Mr. Symington's assumption that the profit for the carriage of freight alone was \$251,571, greater than the company's entire net earnings for 1921."

Let us turn to page 29 of our annual report for 1921, the entire earnings from transportation were:—

Passenger.	\$ 41,565,884	99—21.5	per cent
Freight.	128,849,445	63—66.8	"
Mails.	2,939,258	56—1.5	"
Sleeping Cars, Express	19,667,265	22—10.2	"
<hr/>			
A total of.	\$ 193,021,954	40	

According to Mr. Symington's theory, therefore, the \$64,172,409, Passenger, Mail, Sleeping, Parlor Cars and Express Traffic must have been conducted at a loss of \$251,571. It is the only conclusion that can be reached, but it is hardly one that will appeal to the business sense of this Committee." Right here I might say that Mr. Symington made a small error, which I think was inadvertent, when he spoke in his evidence of a 90 car train being hauled by the Canadian National Railways from Winnipeg to Fort William. It was from Portage la Prairie to Winnipeg. I think the error was due purely to lapses lingua. You can run any number of cars on a train down hill, if you have the brake power to stop it.

"I wish now to deal particularly with the grain movement on western lines. Mr. Symington has stressed its heavy loading per car, per train, and the size of the train, particularly the heavy movement and earnings during the months of October and November. This movement represents for the farmer the culmination of all his efforts in the preceding months."

By Sir Henry Drayton:

Q. What is the capacity of a train from Winnipeg to the head of the Lakes?—

A. I gave those figures I think in my evidence, but I do not remember now what they were.

By Mr. McConica:

Q. There was a train of grain from Winnipeg to Arcola, a record train; can you give us the particulars of that?—A. There might occasionally be a train of 50 cars of grain moved over some one section of the road, but it would be an impossibility to move that train regularly over any division of the road, Mr. McConica. It would require an engine percentage of power that we have not got, and I do not know any other railway that has it. I think it would run the engine percentage up to over 300 per cent. Take the 50-car train you spoke of, each car loaded with 80,000 pounds of grain, it would mean 2,875,000 gross tons in that train.

By Sir Henry Drayton:

Q. What is that again, two million and odd tons?—A. Yes, tons. You must add the weight of the cars to the fifty. Giving the average engine capacity by districts, and the average load based upon the actual performance in each district, and giving 100 per cent capacity engines, the exact figures given by Mr. Symington might be alright. But that was simply an example he gave us, and was intended to cover, I presume, the average haulage conditions on grain, the average gradients, the average engine capacity, a 100 per cent locomotive on western lines exclusive of British Columbia. We filed an exhibit showing these figures as the average haulage capacity, based upon an average haulage of 547 gross tons. The highest

[Mr. Lanigan.]

average on the C.P.R., with the most modern type of oil burner, shows a rating of 325 per cent, which would limit the average performance on western prairie lines to 1,178 tons, or by districts, Manitoba at 100 per cent only would carry 618.

Q. How many cars is that?—A. That is 100 per cent engine capacity, taking the draw-bar capacity and pull of an engine; we start with 100 per cent engine and a 325 per cent engine would carry 2,008.

Q. But you were talking about a train of over two and a half million tons?—A. I was not talking about it.

By Mr. Macdonald:

Q. You say that that is the train Mr. Symington was talking about?—A. Yes, I am not giving these figures, Mr. Symington gave them. I should have said two thousand tons, not two million tons. That is another lapsus linguae.

Q. A good big one this time?—A. Now, taking the highest engine capacity built for mountain grades, that engine would haul on the Manitoba Division 2,008 tons; on the Saskatchewan Division an average of 1,749 tons—

Q. That is the 325 per cent engine?—A. Yes; —and in Alberta 1,531 tons. There are only ten of these engines on the road. They are of a very recent design built purposely for mountain traffic. Of course, there are sections of our line that run down-hill where you could carry any number of cars if you had the braking power on the engine to stop them from running into something. (Reads):

“Look at the exhibit showing the movement to Fort William and the percentage moved in each month by the carrier. It never occurred to Mr. Symington that like the farmer this movement represented to the carriers the result of their previous months preparation and I want to show just what this preparation is. The trend of loaded traffic is eastward. The prairie finds the markets for its cereals, its live stock, its hides, wool and dairy products in the large industrial and consuming centres in the East; its oats, mill feed in the dairying, farming or lumbering industries of Eastern Canada or for export via Atlantic ports. The lumber, fish, fruit and mineral productions of British Columbia is eastbound. It is obvious these cars must be returned and returned in time to take care of the grain movement. The empty movement is naturally westbound. Now if you will look at the exhibit for 1920 and 1921 you will see that in 1920 out of 3,449,186 tons moving to the lake front 2,833,962 tons or 79.2 per cent moved in the months of September to December, inclusive. In 1921, of a total movement of 3,781,562 tons, 2,846,869 tons or 75.4 per cent in these months. October and November, which are the peak months, in 1920 moved 49.9 per cent and in 1921 46.9 per cent and this on both lines, the C.N.R. and ourselves, is what we must prepare for. On the opening of navigation with the eastbound trend of traffic by rail during the winter our cars are scattered throughout Eastern Canada. The bulk grain traffic demands a weather and leak-proof car. The equipment, both engines and cars, are worked towards the Angus Shops, Montreal, for repairs. New cars are built to supplant those that are worn out, and the westbound empty movement starts May 1 and continues to September. In the meantime the surplus equipment of Western Lines is assembled at the Ogden and Winnipeg shops for repairs. Exhibit 34, filed with the Board of Railway Commissioners shows the percentage of empty movement over the year 1920; the relationship of empty to loaded car movement for the year 1920 stands:

Manitoba.. . . .	..36.41 per cent empty to loaded movement
Saskatchewan.. . . .	..42.83 per cent empty to loaded movement
Alberta.. . . .	..46.84 per cent empty to loaded movement

From the same exhibit let us show how the peak grain movement September to December influences the percentage of empty cars on our Western Lines.”

[Mr. Lanigan.]

In order to provide for that peak movement the cars are emptied as quickly as possible at Fort William and are returned to the western grain fields for the purpose of making another trip.

	January to August Per cent	September to December Per cent
Manitoba..	25.84	57.7
Saskatchewan..	38.14	62.2
Alberta..	40.71	59.11

By Sir Henry Drayton:

Q. Your percentages are of the empties as compared to the whole traffic?—A. Empties to loaded cars.

By Mr. Hudson:

Q. Are there more empties than loaded?—A. For instance, 60 per cent are loaded and 40 per cent are empty.

Q. You are drawing more empty cars than loaded cars?—A. (No answer)

Sir HENRY DRAYTON: Not if 40 per cent are empty and 60 per cent are loaded.

WITNESS: We are drawing 62.2 per cent of empty cars taking 100 per cent altogether, 62.2 per cent are empty.

The CHAIRMAN: And 38 per cent are loaded.

By Sir Henry Drayton:

Q. You are taking the whole car movement, and your percentage is the percentage of movement that empty cars bear to the whole?—A. Yes.

By Mr. McConica:

Q. But your expense of moving empties is far less than of moving loaded cars?—A. No; I would not say that, because your engines have a certain rated tonnage, so many tons according to the percentage of the engine hauling it. When you start your car out of the terminal it carries so many equivalent gross tons behind it, whether empty or loaded.

By Sir Henry Drayton:

Q. Surely you can carry a longer string of empties than full cars?—A. Oh, yes; but you have no revenue from your empty car movement, and that has to be saddled on to the loaded car movement, naturally.

Q. But the expense incident upon the loss of revenue does not bear the same proportion that the movement of empties bears to the whole?—A. I did not quite catch that.

Q. The expense of moving that tremendous number of empties that you show is not in the same relation that the percentage of empties is to the whole movement, because you can handle so many more cars?—A. Oh, yes; you handle so many more cars on a train with the engine when they are empty than when they are loaded, of course, but your empty expense goes up in exactly that ratio. Take, for instance, in Saskatchewan, they carried 33.14 per cent from January to August to take care of the loaded cars that moved at that time, but in the grain rush you carry 62.2 per cent in order to make these cars do their greatest possible service during the peak loading months of the grain.

Q. How can you get over 50 per cent?—A. 57.7 per cent out of 100 per cent.

Q. You said over 60 per cent a while ago?—A. 62.2 per cent out of 100 per cent.

By Mr. Macdonald:

Q. That means that you collect the cars out of the East and haul them West?—A. No; this is the percentage of movement of empty cars during a grain rushing season; the mileage of empty cars, not the number of empty cars.

[Mr. Lanigan.]

By Sir Henry Drayton:

Q. It is the mileage?—A. Yes, to the mileage of loaded cars. (Reads):

“From May to September, 1920 (and I want you to particularly note this) 13,000 empty box cars were transferred from Eastern to Western Lines at Fort William; in 1921, for the same period 15,500 cars. From May 15th to August 31st, 1920, it was necessary to accumulate on Western Lines from all sources from 30,000 to 37,000 cars to provide for the grain movement. I have not the figures for 1921, but I file a copy of exhibit 96, showing from April to August 31st, 1921, the idle cars and the idle car days, representing the storage of cars preparatory for the grain movement.

“STATEMENT Showing Total Number of Car Days on Cars Held in Storage Awaiting Movement of Grain, April 1-August 31, 1921.

	Average No. of Cars on hand	No. of Days Idle	Total No. of Car Days
April 1	17,600	....	....
April 15	17,600	15	264,000
May 1	18,000	15	270,000
May 15	18,400	15	276,000
June 1	19,100	16	305,000
June 15	18,500	15	277,500
July 1	18,500	15	277,500
July 15	18,300	15	274,500
August 1	19,000	16	304,000
August 15	20,800	15	312,000
August 31	16,800	16	268,800
Total car days			2,829,900”

By Sir Henry Drayton:

Q. What does it amount to?—A. The total amounts to 2,829,900 idle car days.

Q. What is the per diem?—A. 40 cents, I think.

Q. You are getting it cheaper all the time?—A. You mean the car rental?

Q. Yes.—A. It starts at a dollar a day and goes higher the longer it is kept.

Q. What is the price of a freight car to-day?—A. Nearly \$5,000. (Reads):

“2,829,900 idle car days will give the Committee some idea of the capital in power and equipment that is tied up to market a crop the bulk of which has to be marketed between September 15 and December 12.

“Now, I wish to refer to the quotation (page 323, No. 9, Wednesday, May 31) from Sir Joseph Flavelle, a very able and successful financier, whose business abilities no one questions:—

“‘It has been explained by a gentleman who was appointed by this Government, or by a Government at Ottawa, to enquire into the situation. He went into the subject thoroughly and the explanation was the long haul bulk traffic and the higher western rates on the C.P.R. which the Grand Trunk has not the benefit of.’

His opinion on the matter of costs and profits in the grain business he built up, I would regard as authoritative, but on railway matters I would feel that his experience as yet is limited. Then Mr. Symington quotes from Mr. J. J. Hill (page 325), which is another matter. (Reads):—

“‘If you don’t make the rates so as to encourage the production of wheat in a wheat country, what becomes of the merchandise? There will not be any. There would not be any towns. It would return to an unoccupied wilderness. It is an unfair discrimination to make the lower rates for the man who is cultivating the soil because on his products depends the growth of the entire section of the country and you must build it up, and if you do not the

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railway is not worth a cent. It has to have its prosperity or its poverty with the growth of the country. What would the railway be worth if nobody lived along its lines?

"Mr. Hill was a great railway builder and operator, and it occurs to me after hearing his sentiments quoted by Mr. Symington that he might have implemented them by reducing his grain rates to the level of the Canadian Pacific. When the complaint of the western American farmer was made to the I.C.C., comparing the G.N. grain rates with those of the Canadian Pacific, he resisted, and resisted successfully. Still, according to Poor's Manual the G.N. Railway with 8,175.9 miles (a purely western company), paralleling our western lines with 8,166.5 miles, earned \$9,569 per mile of line, where we earned \$6,857, while the Northern Pacific 6,653.36 miles earned \$12,188 per mile, with an operating ratio on the G.N. Ry. of 92.97 per cent, and on the N.P. Ry. of 89.30 per cent; both roads with a density of traffic more than double our western lines. If any further proof were necessary of the inaccuracy of Mr. Symington's deductions as to our western lines ratio these figures should supply them.

"The American Railway Wage Board has ordered certain reductions. They have not been accepted by the American railway labour organizations. A strike vote has been ordered. Wages in Canada will, of course, be affected by the result.

"I was frankly impressed with Mr. Reid's statement—at the same time there have been good years and bad in the Northwest, years like 1901, when many farmers paid with one crop the entire value of their farms, and bad years when they fared very poorly. That is an incident to all trades and occupations. It was the case of many Quebec farmers last year, when for the first time in my recollection they, through the Minister of Agriculture, asked for reduced rates on feed to tide their stock over the winter and save their herds.

"I appreciate that Parliament alone can suspend or abrogate the Crownsnest agreement. In 1918 Parliament suspended it for three years because of the wage situation confronting the carriers. The wage situation to-day is not back to the basis upon which Parliament acted, in fact, even with the prospective reductions, both in wages and material, that basis will not be reached. Traffic conditions materially improved in the United States before the Interstate Commerce Commission ordered the general rate reductions. This improvement was the reason for the rate reduction. The order, however, did not reduce any grain rates, and only follows what the Canadian Board of Railway Commissioners ordered on January 1 and December 1, 1921. Non-paying rates are deficit-producing rates.

"I would like to deal here with Mr. Symington's eleven points:—

"“(1) Canada made a contract with the Canadian Pacific Railway and paid the consideration in full and the benefits which may accrue to Canada cannot (in the language of Mr. Beatty) with propriety be taken away.”

"My answer to that is: Canada did make the contract, but if it is found in the interest of Canada to suspend or abrogate it, that that discretion rests with Parliament.

"“(2) The East has maximum protection from water competition and American rail competition. The West has no maximum protection except that which was bought and paid for under statutory agreement.”

"My answer to that is the East has no monopoly of the advantages of waterways or American rail routes. The West benefits by both. The West has the protection afforded by the Railway Act and the court instituted to interpret it—a protection like the waterways is common to both sections.

"“(3) The maximum protection to the East is a continuing one. The maximum protection in the West is only effective when rates are higher than the traffic can possibly bear.”

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"My answer to that is the Railway Act and the court are a continuing protection both east and west. The West, as has been shown, pays no more than the East proportionately, in fact, less.

"(4) Grain rates under the Crowsnest pass agreement will pay reasonable profits to the railways and are from 7 per cent to 40 per cent higher than the grain rates in 1917 and for many years previous."

"My answer to that is: grain rates in Western Canada have not been shown to pay even a fair profit to the carriers on the present basis, and in fact, pay a lower return per ton per mile than any other traffic carried.

"(5) Disparity in favour of the West will not be created, but some of the disparity against the West will under present conditions be relieved."

"My answer to that is: the disparity has been shown to favour the West.

"(6) Eastern rates will automatically come down as the result of American reductions."

"My answer to that is: American reductions are merely those which the Canadian Board ordered January 1st and December 1st.

"(7) The Crowsnest pass rates will only be a protecting maximum until normal times return; normal rates are below these rates."

"My answer to that is: it was the Board of Railway Commissioners, who, in 1914, reduced the general level of rates below the Crowsnest basis. These rates and those of the Crowsnest would be subnormal.

"(8) We had tried rates above this maximum with disastrous effects. We suggest it is time to try operating under lower grain rates."

"My answer to that is: lower grain rates can only benefit one section of the West. A reduction on basic commodities would not only benefit the West but the rest of the Dominion. The northwest farmer admits the higher rates on grain are only one factor in his situation that lower rates would help. Mr. Symington ignores the idle factory wheels and the idle employees, the eastern farmer, the lumber trade, the coal, the British Columbia ore situation and the fisheries.

"(9) Rates without traffic are useless."

"My answer to that is: A platitude and not original, capping it with another platitude. Traffic at non-paying rates creates deficits.

"(10) Grain rates have borne more than their fair share of railway financing."

"My answer to that is: that has not been shown and is not the case.

"(11) The abolition of this maximum provided by the agreement would completely change the whole theory and structure of the Railway Act, the policy of which was settled after careful preparatory study."

"My answer to that is: I am not competent to deal with the legal factors of the Railway Act, but it certainly does not provide that in the present conditions of Canadian business an obsolete Act should be revived to provide for the special difficulties of one section to the detriment of other equally important sections of the Dominion, to give special preference to one line of trade or certain sources of supply."

By Sir Henry Drayton:

Q. Referring to Mr. Symington's fourth point: "Grain rates under the Crowsnest pass agreement will pay reasonable profit to the railways and are from 7 per cent to 40 per cent higher than the grain rates in 1917 and for many years previous," to which you reply, "grain rates in Western Canada have not been shown to pay even

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a fair profit to the carriers on the present basis and, in fact, pay a lower return per ton per mile than any other traffic carried"—it is a paying business on account of its density?—A. It is the only thing that saves it from being a loss.

Q. It is a remunerative business owing to its great density.—A. We cannot select any one commodity out of the thousands of different varieties of commodity that are moving over our lines and say that that one commodity pays so much profit or does not.

Q. Western lines generally were pretty good in the old days when things were normal and the business was practically grain, very largely?—A. The railways were built with the idea, with the extensions of the railway—the railway was built in the West for the purpose of remunerative traffic and it could not have been built for any other purpose nor could you have raised money for an enterprise of that kind.

Q. And that traffic was grain?—A. It was largely grain.

By Mr. Shaw:

Q. You would not be willing to turn the C.P.R. grain traffic over to the Canadian National?—A. Certainly not. I have given you exactly the proportion of the traffic, the proportion of service it entails and the percentage of rate that comes from it. What it has cost us neither Mr. Symington nor myself can tell you, but we know what our general loss is and we say we are operating one railway from one side of the continent to the other and the Board has said that you cannot segregate costs between one section and another and get it with any degree of accuracy.

By Hon. Mr. Manion:

Q. Would you state that there is any greater proportion of profit in the handling of grain than there is in the handling of freight in the East?—A. I don't think there is, because if you went to work and debited western lines with the service that any other line happens to perform of that traffic, you might obtain an entirely different result, but I say that is something that is impossible to tell. We are carrying traffic for instance over our different sections of the line that originates somewhere else and is consumed somewhere else. How in the world you can segregate that and say that such a section pays so much and costs so much, I don't know.

Q. Some of the empty cars, for example, coming back from St. John, the expense of handling this should be charged up to the west?—A. Yes.

Q. And as a matter of fact it really is taking in eastern earnings and shows a loss to the East?—A. It is taken against eastern cost.

"I would like to deal with the Hon. Mr. Oliver's remarks, and very briefly.

I will quote from the Western Rate Case, chapter XVI, page 51.

'Beyond all question, both the initial construction and railway operation through the mountains, are much more expensive than operation on the prairies. Some differences in rates at the present time are not only justifiable but necessary. It is not contended on behalf of British Columbia that operation through the mountains is not much more expensive. The extended calculations made by the Canadian Pacific are not challenged. As a matter of fact, it would not appear that they could be. It is, however, contended that these higher operating costs of British Columbia should be, to adopt the words of the witness, "smeared" over the system, so that British Columbia would have the same rates as those applying to the Prairie Provinces. Effect cannot be given to this contention. As pointed out by Mr. Cowan, cities on the coast, under the provisions of the long and short haul sections, obtain direct advantages, in view of the fact of water competition, over cities in the interior, with the result that the railway company carries freight from the East at a lower rate to Vancouver than, for

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example, to Kamloops, and that the disadvantages of the geographical situation of the provinces must apply as well as its advantages. While all this is so, on the other hand, the earnings of British Columbia have not been ever properly credited to it, and cannot be so credited under the present system. The Province has also received no benefit from the reductions made in Manitoba, Saskatchewan and Alberta subsequent to the Manitoba legislation referred to. On the grounds of the decision in the coast cities case, in principle I am of the opinion that the province was entitled to reductions on the ground stated in the judgment of the late Chief Commissioner, the Honourable Mr. Killam. I am also of the view that, notwithstanding the high cost of conducting railway operations in British Columbia as compared to the cost on the plains, in justice to that province a radical change must be made in its standard tariffs. In order to put into effect the reduction which the Board finds to be reasonable and fair, the Board's Chief Traffic Officer has worked out a new tariff. This tariff includes, on the line opposite the mileage, the present rates, and the line immediately under, those now ordered, so that the changes made may be at once seen, without leaving room for future controversy, as to what the new tariff will be.

"I file herewith a copy of exhibit 23, filed with the Board of Railway Commissioners in the late hearing, showing the population per mile of railway in each province. Population is the main factor in passenger earning, while freight traffic naturally depends on the production and consumption per capita.

STATEMENT Showing Population and Total Steam Railways in the Provinces Shown Below

Province	Population	Miles of steam railway	No. of people per mile of railway
British Columbia	523,354	4,325	121
Alberta	581,995	4,475	130
Saskatchewan	843,432	6,221	135
Manitoba	613,008	4,404	139
Ontario	2,523,274	11,002	230
Quebec	2,349,067	4,942	475
New Brunswick	388,092	1,816	214
Prince Edward Island	88,536	279	317
Nova Scotia	524,579	1,438	365
Totals	8,435,336	38,902	—

"I also file exhibit 6, showing the percentage increase of population and the percentage increase in railway mileage of the Western Provinces."

By Sir Henry Drayton:

Q. Why do you put all that in?—A. Because it must stand to reason that the traffic of a railway must be confined to what the people will either consume or produce.

Q. If you take some of these provinces, you will find the results absolutely opposite to that; take the results in Prince Edward Island or Nova Scotia for instance?—A. Our earnings per mile of line, we are showing that we carry a great many more trains east per mile of railway, and get a great deal more revenue per mile of railway than we get in western Canada.

Q. You have a better sample in New Brunswick than in Manitoba?—A. Yes.

Q. Do you say that it applies to Manitoba on the one side, and to New Brunswick on the other?—A. I say that, taking our eastern lines and our western lines, our eastern lines have more people per mile of railway than there is in the west per mile of railway. This is simply an illustration of the fact that the west has been over-railroaded.

[Mr. Lanigan.]

Q. When I was on the Board, the earnings in Manitoba would compare extremely favourably with those in New Brunswick?—A. Perhaps so, but you said that our lines in New Brunswick were of great benefit to the western provinces.

Q. I quite recollect that; but we could not put very much reliance upon your number of inhabitants per mile of railway.

Mr. HUDSON: Mr. Chairman, I do not think it is fair that Mr. Lanigan should cite Sir Henry Drayton's opinions against him now.

The WITNESS: Perhaps when I am gone, somebody will be citing my opinions on the opposite side. These figures are merely substantiating what I have already said. You can take them as you like them; I am only putting them in for what they are worth. Take the population and the railways, and I will file this exhibit, which you can have for simply what it may be worth. This is a comparative statement showing the population and mileage of total steam railways, and the number of people per mile of railway in the western provinces, in 1911 as compared with 1921. In British Columbia during that period there was an increase in population of 33.4 per cent, in miles of steam railway there was an increase of 134.8 per cent, and in the number of people per mile of railway there was a decrease of 43.2 per cent. In Alberta, there was an increase of 55.8 per cent in population, an increase of 199.5 per cent in miles of steam railway, and a decrease of 48.2 per cent in the number of people per mile of railway. In Saskatchewan there was an increase in population of 71.2 per cent, an increase of 98.7 per cent in the miles of steam railway, and a decrease of 14.0 per cent in the number of people per mile of railway. In Manitoba there was an increase of 34.5 per cent in population, an increase of 27.8 per cent in miles of steam railway, and an increase of 5.3 per cent in the number of people per mile of railway.

The reason I am bringing these figures in is that I am dealing now with the remarks of the Hon. Mr. Oliver before this Committee. I am going to file this statement and leave it for the consideration of the Committee.

EXHIBIT No. 6.

COMPARATIVE STATEMENT showing Population and Mileage of Total Steam Railways, also Number of People per mile of railway in the Western Provinces of Canada in the year 1911 as compared with year of 1921.—Showing Percentage Increase or Decrease.

Province	Population			Miles of Steam Railway			Number of people per mile of railway			
	In 1911	In 1921	Increase	In 1911	In 1921	Increase	In 1911	In 1921	Increase	Decrease
			%			%			%	%
British Columbia	392,480	523,353	33.4	1,842	4,325	134.8	213	121		43.2
Alberta	374,663	581,995	55.8	1,494	4,475	199.5	251	130		48.2
Saskatchewan	492,432	843,432	71.2	3,131	6,221	98.7	157	135		14.0
Manitoba	455,614	613,008	34.5	3,446	4,404	27.8	132	139	5.3	

Authority—Taken from bulletins issued by the Dominion Bureau of Statistics, Ottawa, Ont.

Office of Freight Traffic Manager, Canadian Pacific Railway,
Montreal, Que., February 11, 1922.

By Mr. Hudson:

Q. Are you through about what you were saying about British Columbia?—A. No, sir.

Q. Because I have some things I want to clear up about that. I am not particularly interested, but I think they should be cleared up?—A. I will be through with British Columbia shortly. I am simply going to show what the Board said in 1914, for the reasons I have already given. There should be a certain basis of rates

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in British Columbia higher than those on the prairies, and I am going to file as exhibits Nos. 7 and 8, to show simply that the condition as far as British Columbia is concerned has not changed. I will not enlarge upon that, lest I weary you.

EXHIBIT No. 7.

OPERATING EXPENSES AND COSTS BY DISTRICTS—LINES WEST, YEAR 1920

District	Expenses	Per mile of line	Per train mile	Total car miles	Per car mile	Gross ton miles in thousands	Per gross ton mile
Manitoba.....	29,726,059 65	12.065	3.558	216,517,237	0.137	8,939,804	0.00333
Saskatchewan.....	16,811,049 99	7.788	3.162	112,900,851	0.149	4,487,735	0.00375
Alberta.....	21,094,114 86	9.876	3.362	144,790,882	0.146	5,760,427	0.00366
British Columbia.....	17,287,495 59	12.277	4.560	80,578,597	0.215	3,315,051	0.00521
Lines West.....	84,918,720 09	10.398	3.571	554,787,567	0.153	22,503,017	0.00377
Lines West exclusive of British Columbia.....	67,631,224 50	10.007	3.386	474,208,970	0.143	19,187,966	0.00352
Percentage of increased cost on British Columbia Dist. over balance lines West.....		22.68%	34.67%		50.35%		48.03%

Canadian Pacific Railway Company,
Montreal, Feb., 1922.

EXHIBIT No. 8.

OPERATING EXPENSES AND COSTS BY DISTRICTS, LINES WEST, YEAR 1921

District	Expenses	Per mile of line	Per train mile	Total car miles	Per car mile	Gross ton miles in thousands	Per gross ton mile
Manitoba.....	26,412,188 19	10.720	3.757	197,617,177	0.134	8,084,153	0.00327
Saskatchewan.....	14,873,410 57	6.888	3.309	92,023,490	0.162	3,670,346	0.00405
Alberta.....	16,577,365 57	7.761	3.318	104,867,903	0.158	4,205,470	0.00394
British Columbia.....	14,010,609 91	9.971	4.528	60,390,402	0.232	2,539,151	0.00552
Lines West.....	71,873,574 24	8.804	3.664	454,898,972	0.158	18,499,120	0.00388
Lines West exclusive of British Columbia.....	57,862,964 33	8.561	3.503	394,508,570	0.148	15,959,969	0.00363
Percentage of increased cost on British Columbia Dist. over balance of lines West..		16.49%	29.27%		56.77%		52.07%

Canadian Pacific Railway Company,
Montreal, Feb., 1922.

By Sir Henry Drayton:

Q. I have not been able to attend all the meetings of the Committee, but I think there was an exhibit filed by Mr. Oliver which showed a very much changed condition.—A. Yes, and I think it was Mr. McConica who showed that the operations of a mile of railway in British Columbia was so and so, and Mr. McCrea I think it was said it depended on the amount of business that was done. This exhibit shows that the conclusions arrived by the Hon. Mr. Oliver were not correct. In the first place, the expenses, that is the allotable expenses in British Columbia were 22.68 per cent higher per mile of line than they were on our eastern lines. I am speaking now of the year 1920.

[Mr. Lanigan.]

Q. The exhibit was one taking New Brunswick as an example, the Atlantic division?—A. Yes, but if you will remember Sir Henry, that when the Board in 1914 fixed the rates for the prairie division, they fixed the rates for British Columbia a certain percentage higher than on the prairies for the reason that the cost of operation on the C.P.R. lines, which were the only lines at that time was generally about 25 per cent higher in British Columbia than on the prairie lines. It had nothing to do with the British Columbia division, where the water competition and other factors made the rates on our Atlantic lines.

By Mr. Vien:

Q. What was the reason for the increase, the grades?—A. The grades largely, and operating expenses as well. The percentage of increased cost on the British Columbia district over the balance of lines west was 22.68 per cent per mile of line; 34.67 per cent per train mile, and 50.35 per cent per car mile, and 48.03 per cent per gross ton mile. The gross ton mile means the contents and the weight of the car. That was in the year 1920. According to the next exhibit, the percentage of increased cost on the British Columbia district over the balance of lines west was 16.49 per cent per mile of line, 29.27 per cent per train mile, 56.77 per cent per car mile and 52.07 per cent per gross ton mile. That is for the year 1921. I give these figures simply to show that as far as the Hon. Mr. Oliver's remarks given the other day are concerned, the conditions have not changed since the Board gave their judgment in 1914. I am now dealing with these quotations of rates made by Mr. Oliver. (Reading.) "With reference to various rate comparisons filed by Mr. Oliver between rates in British Columbia and rates in Eastern Canada, these are all before the Board and have no connection with the Crowsnest Pass Act, but a quotation from Judge Killam's judgment in the Coast Cities 1906 Complaint will suffice:

"It appears to me that no inference can be drawn from a mere comparison of distances upon different portions of railways and that it does not constitute discrimination—much less unjust discrimination—for a railway company to charge higher rates for shorter distances over a line having small business or expensive in construction, maintenance or operation than over a line having large business, or comparatively inexpensive in construction, maintenance and operation.

In my opinion a party raising such complaints upon a mere comparison of distances should show the nature of the particular lines referred to and that there is a natural disproportion of rates as against the shorter lines due allowances made for the circumstances just mentioned.'

"As a further justification of the Board's conclusion re costs of construction on our British Columbia lines, I call the Committee's attention to my evidence to be found in Vol. 385, page 792, re the Cost of the Connaught Tunnel, 5 miles long. The most was \$5,663,459.53, and the lining to date I gave in my evidence cost \$1,049,640.37 for 7,185 feet. No matter what comment Mr. Oliver may have to make to-day re the C.P.R. route, it was located with the approval of the Government of the day, and certainly the rates in British Columbia cannot be fixed on the basis of the grades of the Canadian National Railways until that line has at least met its operating expenses. Mr. Oliver's remarks on his own line are hardly illuminating. If it is no good, as he indicated" (he said it was no good, that it was a child left on his doorstep) "begins nowhere and ends at the same destination the fact remains that his Government lately borrowed some \$6,000,000 to extend it." If that is the character of the line, and he objected to the comparison of the rates on his line with the rates on ours, I will leave that to the Committee.

[Mr. Lanigan.]

By Mr. Macdonald:

Q In that connection, Mr. Lanigan, was it Mr. McGeer who gave us the line, and the cost of construction from Ottawa to Montreal, and that they were in excess of the cost of certain points out in our country?—A. No. Of course the cost of construction of our line in British Columbia and the other points has been pretty well lost by this time.

Mr. MACDONALD: I was not here at the time.

The WITNESS (Continues reading): "I offer my personal opinion based on an experience about equally balanced, twenty years in Eastern Canada and twenty years in Western Canada, with a general experience of traffic conditions throughout Canada. High freight rates are the results, not the cause, of economic conditions. The results of our operations since 1918 do not show even that slight margin of surplus approved by the Board in 1914 as being a reasonable margin over and above our obligations. We do anticipate reductions in wage and material costs. On that anticipation we have already reduced many rates, a memorandum of which I will submit, and suggest in addition to the reduction made by the Board on December 1, a further lowering of rates on basic commodities. There is only a certain amount of slack to take up, that is, the amount that can be anticipated as a decrease in railway operating costs for the balance of 1922. The position is that one railway earns its obligations and an infinitesimal surplus, less than the Railway Board itself considered proper. The deficits on the other enterprise are a serious addition to the taxes of the people. The question to my mind is how this margin can be spread so it will do the most good to the greatest number, to each interest, and to every section of the Dominion. I have already said I disagreed. (This is my personal opinion only, that I am giving now) with certain legislative enactments setting aside certain commodities to be specially dealt with, certain sections to be specially favoured. If the rates in any section or on any commodities are unreasonable, they should be reduced. Parliament has passed a Railway Act and created a tribunal with the fullest power to deal with these matters, and they should be permitted the free and unrestricted exercise of that power.

Now what is the condition of the mining, lumbering, fishing, farming and manufacturing interests of the Dominion to-day? The Committee has had some information from different sections and some industries, but not all. I can tell you they are all in the same boat, and the carrier is there too, and we all want to go ashore. Mr. Symington's remedy is to let the Northwest out first, and they will eventually come back with a plank for the rest. I am going to suggest we either go ashore together, or sink or swim together. The western farmer has been heard, perhaps, more fully than any other interest. But what about the others? The maritime farmer who heretofore found his market in the New England States, through the enactment of the Fordney Bill can only offer his products in those provinces like Ontario and Quebec, that normally produced the same commodities. Their mining, lumbering, farming, and manufacturing interests are handicapped by their distance from consuming centres, a similar condition to that from which the western farmer suffers, with no Crowsnest Act upon which to demand relief. The thrifty, hardworking, self-reliant habitant of Quebec for the first time in centuries is asking relief. I say that advisedly. I was born and brought up in that province, and among those people, and a more self-reliant race does not live. His western brother has had it freely and often in the past from federal, provincial and railway sources, all glad to co-operate. The industries are closed or on part time, her asbestos mines are idle, her pulpwood uncut, her forests idle, her purchasing power reduced. What about Ontario, that great industrial, farming and mining province? Her little mines are shut down, her smelters idle, her industries depressed. What about British Columbia, with her coal, coke, mines, lumber, fruit and fish?

[Mr. Lanigan.]

The fall in the price of metals has closed her mines, the idle or partly idle smelters provide no market for her coal and coke. Her lumber seeks markets, and her extending orchards demand a wider zone of distribution. That is the problem our Parliament, our people and our carriers must solve. Revive the purchasing power of the western farmer by special rates on grain, says Mr. Symington, and the difficulty is met. Well, there are 2,038,435 people in both town and country on the northwest prairies, and 6,396,901 elsewhere in the Dominion, whose interests it seems to me are equally important where purchasing power is an equal factor.

Right here I should like to submit a memorandum in reference to British Columbia and other fruits:—

	Tons
Total apple tonnage forwarded from British Columbia during the year 1921 was	72,816
Total other fruits	35,928
Total fresh fruits received at points in Prairie Provinces, including citrus fruits	47,926
Total fresh apples received	53,725
Excess of fruit received in Prairie Provinces over fruit forwarded from British Columbia, fresh fruits . .	11,998

By Mr. Hudson:

Q. Does that include express fruits?—A. No, just the freight; the soft fruits are handled from British Columbia and Eastern Canada by express. I have no figures for that.

	Tons
Total apples forwarded from British Columbia in excess of total receipts of Prairie Provinces	19,091
Total shipments of fruit from British Columbia, including apples	108,744
Total receipts of all classes of fruit on prairies	101,651
Excess shipments from British Columbia over receipts on prairies	7,093

In this connection I said that the entire consumption of the Canadian Northwest of fruit which is mentioned in the Crowsnest Act is less than in British Columbia, and some gentlemen asked me to file a return of that, and I file it now. This is just merely to show that the trend of the fruit traffic is from British Columbia and not from Eastern Canada. (Reading):—

“I was deeply impressed with Mr. Read’s evidence, it was moderate in tone and temperate in delivery. I would have liked if he had made the same representations to both Mr. Beatty and Mr. Hanna before this. I venture to say, however, that the potato growers of New Brunswick, the farmer, the lumber producer, the miner and the manufacturer could have told of the same economic difficulties. In so far as transportation costs are a factor—and each witness has admitted that he is but one factor—the carrier should co-operate in so far as it is in his power to remedy the economic conditions that he suffers from, in common with other interests all over the Dominion. I am, therefore, suggesting:—

1. That the Crowsnest Act is out of touch with to-day’s necessities, out of gear with today’s sources of supply, out of line with the trend of traffic. It is discriminatory in its application, and fails to provide a solution for a Dominion-wide economic problem.

2. The placing of all control of rates should be unrestrictedly in the hands of the special tribunal created and equipped for that purpose.

3. An immediate reduction be made on basic commodities that constitute the rough products of the field, the mine, the forest, and the sea. Wherever these com-

[Mr. Lanigan.]

modities form the staple source of production and employment.

4. Basic commodities, I think, should include grain in the northwest provinces—”

By Sir Henry Drayton:

Q. You mean grain and grain products?—A. Yes, Sir Henry, I include both. “—both to the Lake Head and proportionately to Vancouver for export; forest products throughout the Dominion, consisting of lumber, shingles, fence posts, pulp-wood, poles, logs, timber; coal from Canadian sources of supply; coke; building material, brick, cement, lime, and plaster; potatoes; fertilizer.

As to coal, I think so far as possible the reductions should be made to apply from our own mines, so as to encourage the production and consumption of coal as much as possible.” “Ores of all kinds,”—the ore situation is in very bad shape all over Canada.

By Hon. Mr. Manion:

Q. Would you include limestone in ores?—A. No; but limestone comes very frequently under the head of fertilizer. It is moved in that way in British Columbia, and to a large extent in Nova Scotia.

Q. Take, for example, its use in the manufacture of pulp?—A. No; I did not cover that; but limestone is moved in British Columbia and the Maritime provinces largely under the head of fertilizers. There may be other things I have not mentioned here.

By the Chairman:

Q. You do not intend that to be limited, but open to further consideration?—A. This is entirely my own personal suggestion.

By Mr. Michaud:

Q. That is the list you offer to us?—A. I am not offering anything.

Q. Suggesting to us?—A. I am giving my personal opinion from my personal experience; I may have overlooked some interest.

By Mr. Shaw:

Q. It is suggested that that is only a chart?—A. The Committee, of course, will take it for whatever it is worth. I am no Solomon to lay down exactly what is proper and right.

By Mr. Macdonald:

Q. Do you include farm products as well as grain?—A. No; I included potatoes specially owing to the fact that the Fordney Tariff has closed out the principal industry of the Maritime provinces from its natural market or the market it had in the United States, and it must find a market somewhere else.

By Sir Henry Drayton:

Q. Is it not a fact that there was a market in Nova Scotia for a long time for New Brunswick potatoes?—A. That may be. They are marketing to some extent in Quebec and Ontario. I am getting the figures so as to bring it out fully. Ontario itself is a large producing province, and so is Quebec.

Q. And so are the Eastern States?—A. The potatoes of the Eastern States, because of the class of fertilizer they use to produce a large quantity, go into the manufacture of starch and are not as fit for food as the New Brunswick potatoes are. If you go to Montreal you will find them paying a premium for New Brunswick potatoes over and above the potatoes from any other source of supply. They are better sorted out, and they make a specialty of the business, whereas in the case of others it is a side-line. With reference to ores, the nickel mines are closed down and the situation in British Columbia is serious. Ores that were worth \$25 a ton during

[Mr. Lanigan.]

the war have fallen in value with the price of metals, and have got down to \$5 and \$10 a ton, and with the present high cost of production it is impossible to get those ores out at a profit. In so far as transportation is a factor in carrying that class of ore, I think the rates ought to be reduced.

By Mr. Vien:

Q. Could you tell the Committee whether the market price of ores has reached the pre-war rate?—A. I think they have.

By Sir Henry Drayton:

Q. Some of them lower?—A. Yes.

Q. Some below the cost of production, but they vary?—A. It is not so much the price of ore. British Columbia, for instance, produced a low-grade ore, an ore with a small silver-lead value which, of course, during the war, when the prices of copper, lead and zinc went up, came into the market because of the value of the metals in it.

“Pig iron, blooms, billets (which are a rougher form of pig iron which has gone through another process) wire rods (which are used for the manufacture of nails, barbed-wire and fence wire), and scrap iron (which is lying around in tons all over this country; it is very difficult to find a market for it).

“These reductions will give the Northwest farmer a reduction on his grain, but will add what the Crowsnest Act does not mention, a reduction on his lumber, shingles, fence posts and timber, his brick, cement, lime, plaster and coal. It should give to the building trade all over the Dominion cheaper lumber, shingles, timber, brick, lime, plaster.” (I mention these things because the first thing a settler requires on the prairies is a shelter for his family and then for his livestock; it is not like a timber country) “to the manufacturer cheaper lumber, iron, coal, coke, important factors in his costs. Cheaper costs of raw material and steam power as far as transportation is a factor should help the consumer and the farmer as one of them.” (That is, if you give them cheaper coal, coke, iron and lumber, their manufacturing costs ought to be less) “If cheaper costs stimulate consumption and cheaper transportation stimulates production unemployment ought thereby to be relieved. The whole Dominion at any rate and not one section only will be benefited. As operating costs are reduced other rates will be modified, either by the carrier voluntarily or by the proper authority. I have not mentioned livestock rates because they have already been reduced by approximately 25 per cent.” (That was done last August after consultation between the livestock interests and the carriers in the rooms of the Board of Railway Commissioners) “Hides and wool from Northwest long haul points have been similarly dealt with. That the Committee may see that the carriers themselves have dealt with many matters by rate reduction I present herewith for your perusal a memorandum covering the same since the advance of September 13, 1920.”

That, gentlemen, is all I have to present.

Mr. HUDSON: There are a number of matters I would like to check up, matters that Mr. Lanigan has referred to by way of detailed criticism of Mr. Symington's figures. I am not, of course, competent to do that myself, and I would like to have an opportunity of asking Mr. Lanigan some questions about them a little later on. In the meantime there are a few questions I would like to ask now.

Q. The British Columbia people have presented their peculiar situation to the Board of Railway Commissioners on numerous occasions, and you have told us the results of those applications?—A. Except the last one.

Q. The last one has not yet been dealt with?—A. No.

Q. Could you give me an estimate of the gross freight earnings on your line in British Columbia for last year?—A. No, I could not.

Q. Could you, by comparing them with the earnings of the few preceding years? You used to separate them?—A. We separated them for a great many years. As I said when I gave evidence in the 1914 case, the separation of earnings and the

[Mr. Lanigan.]

separation of operating expenses by divisions was never a system of accounting in the Canadian Pacific Railway.

Q. But you did separate them in a rough way, and that would indicate the proportionate volume of business, especially in an originating province?—A. I do not know that we could give you the originating tonnage.

Q. Do you think it would amount to \$10,000,000 out of the \$72,000,000 for the West?—A. I would not guess at that.

Sir HENRY DRAYTON: That is British Columbia?

Mr. HUDSON: Yes.

Q. It never amounted to much more than half that while you separated them?—A. A carload of freight, say a carload of tea or rice, originating in Shanghai and carried over the Canadian Pacific Railway lines to Montreal would have its earnings credited on every division over the system, mile by mile. British Columbia would get its credit for the number of miles from Vancouver to Field; Alberta would be credited from Field to Swift Current; Saskatchewan would be credited from Swift Current to Broadview, and Manitoba would be credited from Broadview to Fort William. Neither of these intervening divisions, or, in fact, the British Columbia Division, had anything to do with the production or consumption of that carload of tea.

Q. What would you say as to the volume of traffic in British Columbia as compared with the Prairie Provinces?—A. Very much less.

Q. Have you any factor that you could apply to strike a proportion?—A. Yes. Of course, you understand that that might not strike a proportion of the earnings. The total gross ton miles on the British Columbia Division in 1920 were 3,315,054; in Alberta 5,760,000; in Saskatchewan 4,487,000, and in Manitoba 8,939,000.

Q. Would that indicate any sort of fair proportion of the earnings?—A. No, it would not indicate anything. Take our line from Winnipeg to Fort William, it carries all the freight that originates west of there going over that line to a point east, and also carries all the freight originating east and going over that line.

Q. As to the traffic coming from the Orient, is that very heavy?—A. Oh, yes.

Q. It is through traffic to a large extent, is it not?—A. Yes, to a very large extent it is entirely through traffic; and then, of course, a lot of that traffic is imported to British Columbia and subsequently re-shipped.

Q. Is the through traffic carried at special rates?—A. A good deal of it, yes.

By Sir Henry Drayton:

Q. Some of them specially high. Their most paying business is the silk trade?—A. Silk and tea.

By Mr. Hudson:

Q. And that goes into the general pot when you are dividing earnings between West and East?—A. (No answer).

By Sir Henry Drayton:

Q. It is all pro-rated on a system that does not even observe provincial boundaries?—A. You cannot possibly pro-rate it.

By Mr. Hudson:

Q. Following the 1914 decision, you changed your system of divisions and distributed the system into two divisions separated at Port Arthur?—A. We never did it on an earning basis.

Q. You kept accounts?—A. No; not accounts, statistics.

Q. How do we get the statements?—A. We kept a certain amount of statistics of actual expenditures on the different divisions, and a certain amount of statistics divided between eastern and western lines on the basis I have indicated.

Q. And they were submitted to the Railway Commission as correct statements?—A. We did not submit them; they asked us for those statistics and we gave them.

[Mr. Lanigan.]

Q. And the Railway Commission to some extent based their judgment on those statements?—A. You will have to ask the Railway Commission; it is hardly fair to ask me how they based their judgment.

By the Chairman:

Q. Your Oriental traffic is included in the 3,000,000 you mentioned for British Columbia?—A. They were ton miles.

By Sir Henry Drayton:

Q. That covers everything?—A. Covers everything that passed over the lines in British Columbia, whether local or through.

Q. I was looking over Mr. Symington's evidence last night. What do you say about the advantage the American farmer has in connection with his shorter grain haul?—A. Undoubtedly that is a geographical advantage that the American farmer has. If a man could grow wheat on the dock at Montreal he would have a wonderful advantage.

Q. Still, it is a factor that would lead us to the conclusion that if we could possibly get a lower rate in Canada than the American rate, we ought to get it?—A. Absolutely.

Q. We now have an artificial mileage holding that down in part from Winnipeg to Port Arthur. The real mileage is 420 miles?—A. Yes.

Q. And we have an artificial mileage of 296?—A. Something like that.

Q. How is the 296 arrived at? I forget that. That had in view shortening that disability, had it not?—A. No; you will remember in the Western rates case we found that whatever that mileage was—I think it was 290.

Q. 296, I believe?—A. —the rates from Fort William to Winnipeg were based on 290 in the Standard Tariff.

Q. Yes, how did it get in there in the first instance?—A. It got in there through a process of rate adjustments of one kind and another.

Q. It looks like an old mileage manipulation?—A. That is what you found there, and you said "You will have to compute all your other rates on that."

Q. I just wondered if you remembered why it was put in?—A. It was one of those things that like "Topsy," just grew up.

Q. What do you think about the feasibility of extending that artificial mileage, having regard to the fact that the American grain is so much closer than ours?—A. You have to carry the grain, and every mile you carry it adds to your cost? The rates have always been lower for the same distance in the Northwest than they were on the American side, as far as I have any recollection. That being the case, they are to-day lower than the other rates, and with the other rates that factor you speak of has already been taken into consideration.

Q. With regard to your potato business from the East, in some districts there is an artificially long railway mileage. How would it do to restrict the mileage there, too?—A. All those factors you speak of have been taken into consideration by the carrier. Take, for instance, the Maritime Provinces—

Q. We would be glad to get them up so as to do business in Toronto and Montreal again?—A. The Maritime Provinces are going to be seriously handicapped in marketing their products west of Toronto.

Q. They are in exactly the same position as the grain grower. He has to have a cheap rate on grain. That is essential. Should not something be done to enable the Maritime Provinces to market their produce in the only markets really open to them, Toronto and Montreal?—A. (No answer).

The CHAIRMAN: That is limited to a very few things.

[Mr. Lanigan.]

By Mr. Macdonald:

Q. You agree that something should be done?—A. Yes.

By the Chairman:

Q. You are willing to throw that on the other road? There is not much for you out there?—A. We are not interested to the same extent.

By Sir Henry Drayton:

Q. You are doing by far the larger percentage of business of St. John at the present time?—A. St. John is our terminus, and we gather all our grain there during the winter time, and bring in all our imports via St. John; we could not bring them in by any other port.

Q. I am not reproaching you, it shows you are interested in Maritime rates?—A. Yes.

By the Chairman:

Q. Why should not apples be in the commodity list?—A. They are carried on a commodity rate now.

By Sir Henry Drayton:

Q. But what about putting them on the basic list?—A. I do not know that they should not be.

Mr. MACDONALD: Mr. Chairman, do not you think Mr. Lanigan will have to come back?

The CHAIRMAN: He must come back some time.

By the Chairman:

Q. When you are talking about British Columbia matters—you don't admit that British Columbia is entitled to some relief on her rates, which I understand are 30 per cent higher than the Prairie rates?—A. No. I don't think that percentage is right because if you take it on the whole, it is nothing of the kind.

Q. If you won't admit, will you deny she is not entitled to some relief?—A. British Columbia lately got some relief from the rates originally put on in British Columbia. Let us see what relief it wants. In the first place, so far as the requirements of British Columbia are concerned from Eastern Canada to British Columbia it gets them today, it is true by reason of water and other factors very much cheaper than any other section of the country.

Q. I suppose the rate to Vancouver from Eastern Points is no heavier than to Edmonton?—A. It is less.

By Sir Henry Drayton:

Q. It is absolutely less and on a large amount of their business they get a better rate than anywhere else as far as shippers from Eastern Canada and the United States is concerned to Western Canada?—A. To Vancouver they are less.

Q. Where they are pinched is on their local rates?—A. Take the case I mentioned the other day. I mentioned we were obliged to make a rate on bar iron of 60 cents a hundred from Hamilton and 75 cents from Sydney through to Vancouver. The position of Vancouver is this, that they can import their requirements from the United Kingdom and also from Antwerp by a very low boat rate to Vancouver. There is in the customs tariff a preference in favour of the United Kingdom, which of course takes in whatever protection there is, whatever it is worth, as far as the Eastern manufacturer is concerned. Now Sydney nor Hamilton have not been very busy. On the other hand this bar iron is used a great deal of course out there, in the mining, lumbering and maritime work that is done on the coast. We were confronted with making a rate that would enable the Canadian manufacturer to get it out there or

[Mr. Lanigan.]

seeing the goods come in from some foreign source. It is true that 60 cents was a low rate. We perhaps might not have carried it at all. The British Columbia man would have got his stuff from outside. Unemployment would be emphasized in the Eastern Canada factories, both in Sydney and at Hamilton while we were carrying empty cars going west and a very large percentage—I forget what it is now—of our westbound movement to Vancouver, are empty cars for the simple reason that British Columbia production eastbound is greater than her consumption westbound. Now, it was far better, although Mr. Oliver did not appear to agree with me, to keep that factory at Sydney and Hamilton turning its wheels and employing people than to have the British Columbia man get his requirements from some other source than the Canadian source, and it was far better for us in the west to fill an empty car with that bar iron and take it out to the coast at a comparatively low rate than to see both these results happen. That is the whole thing.

Q. The whole thing is you saved a certain amount of loss on an empty car movement?—A. Yes we don't make any loss.

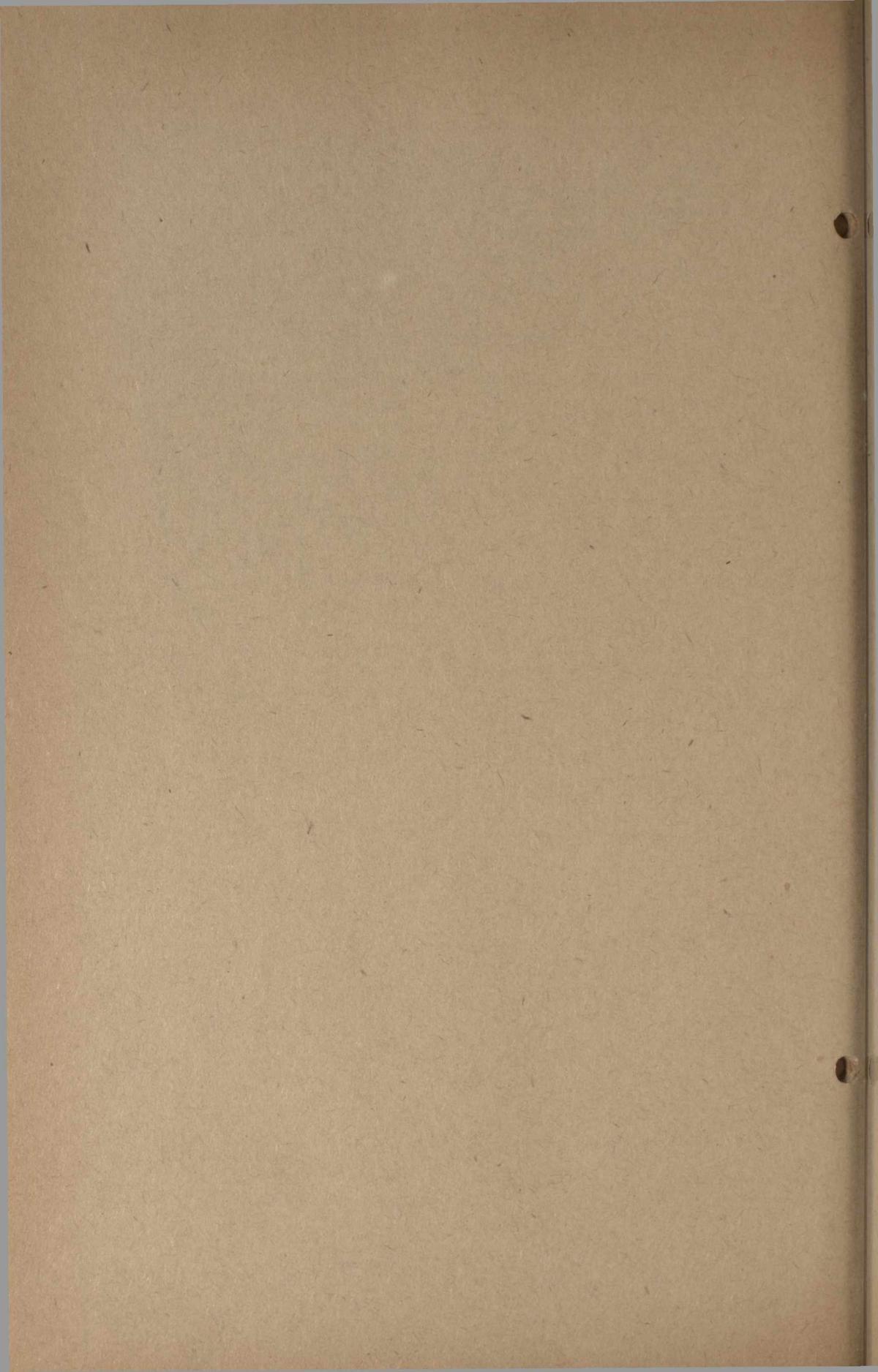
By the Chairman:

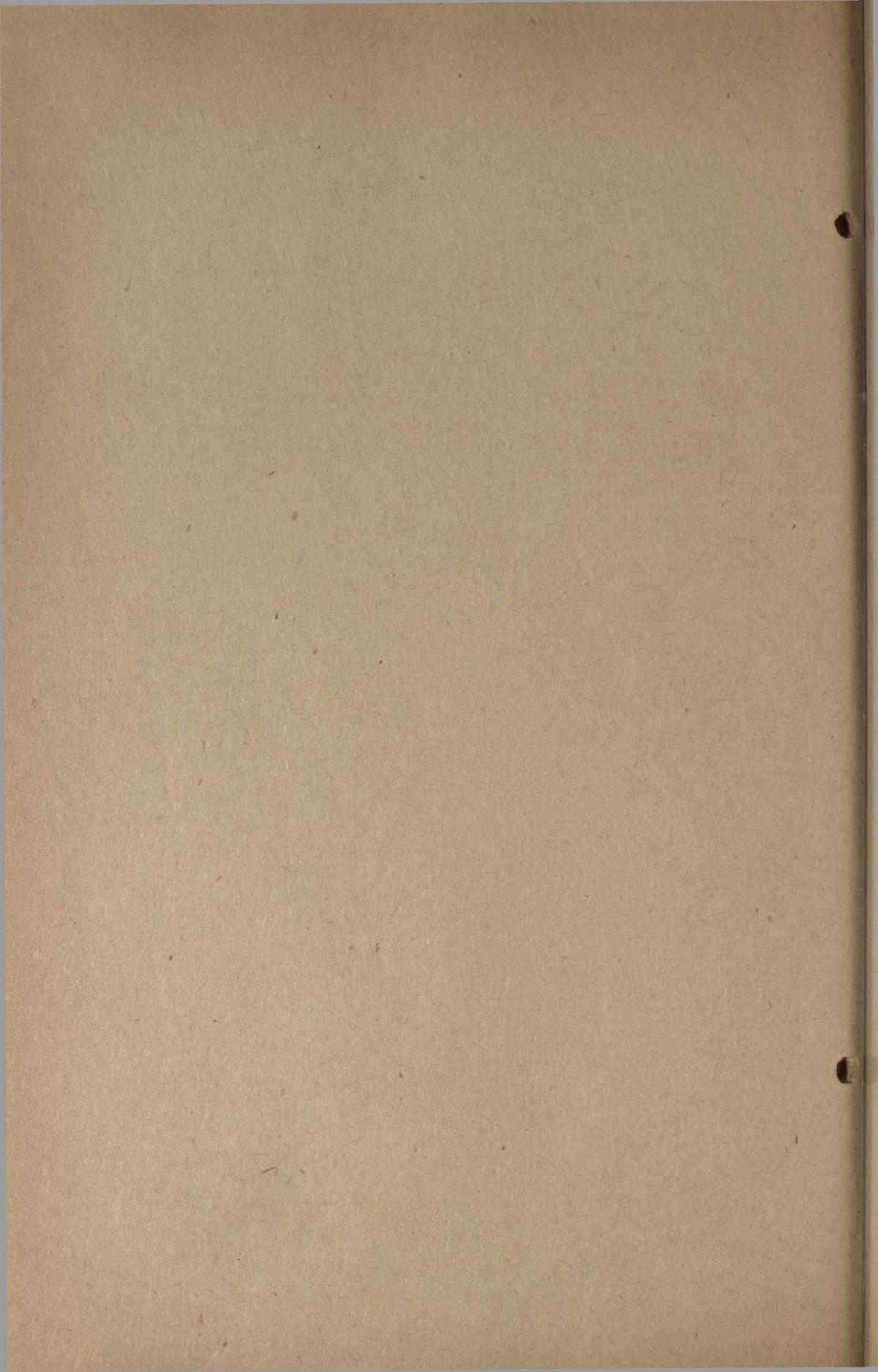
Q. What do you say the Mountain rate is? How much higher is it than the Prairie rates?—A. The standard Mountain rate is fixed for 100 miles on what 150 miles would call for on the Prairies, that is in the limits of British Columbia, but the moment you get on to the Prairies there from Canmore, which is the end of the mountain, from Canmore east you have exactly the same difference per 50 and 100 miles as exists on the Prairies, so when you take any rate that is not a special rate from Vancouver to Winnipeg the difference above the Prairies is about 10 per cent about 110 miles for every 100 miles, but when you come to the products of British Columbia, its mineral, its fish or its lumber, they get very low rates.

Mr. SHAW: I think we should have the evidence of this witness so that we can compare it with the evidence of Mr. Symington in order to make something like an intelligent cross-examination. I would suggest that Mr. Lanigan come back and we should be allowed ample time after the publication of his evidence.

The CHAIRMAN: In that event you will have to leave it to the discretion of the Chair when to call him back. Then there will be no meeting tomorrow. Mr. Hanna must go to Toronto tonight to attend a Board meeting, but he can be back here Friday morning.

The Committee adjourned until Friday, June 9th, at 11 o'clock a.m.





OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 13—MONDAY, JUNE 12, 1922

NAMES OF WITNESSES

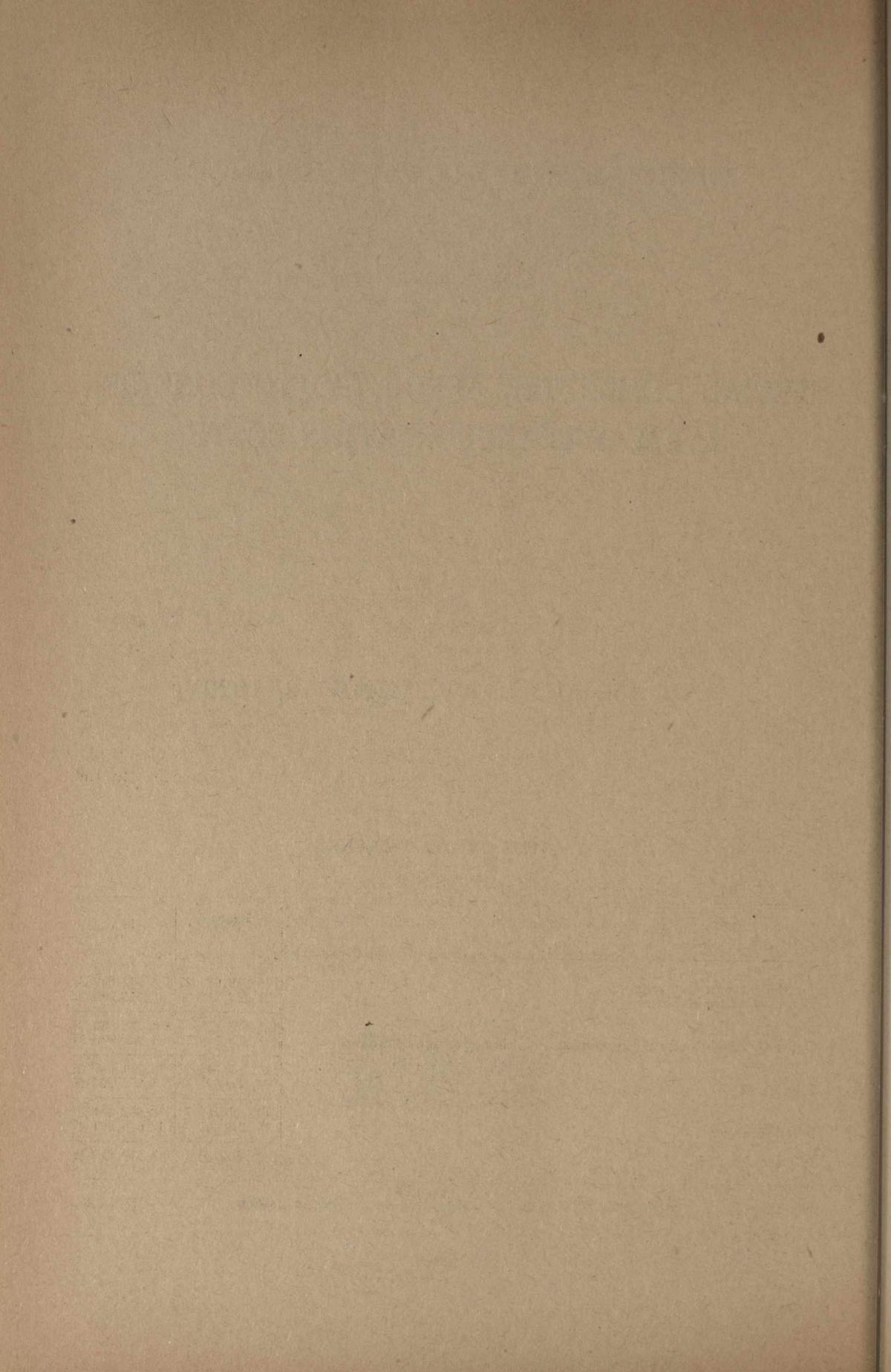
Mr. Lanigan, Freight Rate Officer, C.P.R.

Mr. D. B. Hanna, President, Canadian National Railways.

Mr. G. G. McGeer, representing British Columbia.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922



COMMITTEE ROOM 425,

HOUSE OF COMMONS,

MONDAY, June 12, 1922.

The Select Standing Committee appointed to make inquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6th next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Will the meeting come to order. Somebody asked to have a statement prepared, showing the average monthly wages of the various classes of railway employees from the year 1914 to 1922 inclusive. I propose just to publish that in the Proceedings of to-day. I have a resolution from the Peterborough Chamber of Commerce strongly recommending the Dominion Government that the re-enactment of the Crowsnest pass agreement be further suspended for three years. I don't think I need print that. I have also a letter from the Canadian Pulp and Paper Association containing a pamphlet issued by that Association in which a reference is made to freight rates upon their products. I think the facts relating to the pulp and paper industry have been fairly well placed before us and it is hardly worth while encumbering the records with this. I think that is agreeable to the Committee.

GRAND TRUNK RAILWAY
CANADIAN LINES

	1921	1920
Total Operating Revenues.....	\$76,858,032 27	\$81,442,647 32
Total Operating Expenses.....	71,179,292 80	76,213,815 16
	\$ 5,678,739 47	\$ 5,228,832 16
Other Income, Rental of Equipment, etc., classed as non-operating.....	8,166,608 60	6,942,675 37
	13,845,348 07	12,171,507 53
Less Taxes.....	1,325,577 28	1,280,062 62
	12,519,770 79	10,891,444 91
* Fixed Charges.....	19,905,941 76	12,564,524 47
Net Income Loss.....	\$ 7,386,170 97	\$ 1,673,079 56
Number of tons carried.....	21,687,749	26,322,423

CANADIAN PACIFIC RAILWAY

STATEMENT Showing Average Monthly Wages paid various Classes of Employees—Years 1914 to 1922, both inclusive (1922 estimated and to the present date).

	Station Agent	Other Station-men	Locomotive Engineer	Locomotive Fire-man	Train Conductor	Other Train-men	Machinist	Carpenter	Section Fore-man	Section-man
	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
1914.....	95 17	53 50	142 33	82 33	119 58	79 50	85 25	77 75	73 17	37 75
1915.....	93 67	49 83	152 58	88 25	134 67	84 17	68 25	52 67	67 17	30 67
1916.....	93 50	49 58	146 75	85 17	136 67	85 42	90 17	53 00	70 83	30 67
1917.....	102 83	66 33	172 00	102 33	158 58	96 75	93 08	67 00	78 58	48 42
1918.....	123 17	70 42	182 25	105 58	160 33	109 33	99 33	73 33	90 17	59 17
1919.....	194 33	98 50	222 33	149 91	199 08	147 08	122 17	114 00	116 50	81 83
1920.....	187 25	91 08	253 58	174 25	232 33	169 25	142 42	127 33	135 08	88 00
1921.....	182 83	94 17	240 92	165 75	223 33	153 17	116 42	104 50	129 50	84 92
1922.....	177 00	88 00	230 00	158 00	212 00	145 00	110 00	99 00	120 00	77 00

RESOLUTION OF CONFERENCE TO DISCUSS PROPOSED RULES OF THE CANADIAN FREIGHT CLASSIFICATION

A conference was held in Winnipeg, Man., April 26, 1921, to discuss proposed rules of the Canadian Freight Classification at which the following organizations were represented:—

Brandon Board of Trade.
 Calgary Board of Trade.
 Canadian Manufacturers Association.
 Edmonton Board of Trade.
 Lethbridge Board of Trade.
 Montreal Board of Trade.
 Moose Jaw Board of Trade.
 Regina Board of Trade.
 Saskatoon Chamber of Commerce.
 Toronto Board of Trade.
 Vancouver Board of Trade.
 Winnipeg Board of Trade.

The following was adopted in the form of a Resolution:—

1. It was decided that in the best interests of both Eastern and Western Canada rule 2 and the trade lists of the present Classification should be continued and substituted for proposed rule 10 of the Canadian Freight Classification No. 17.

2. It was also decided that a Classification Committee representing Western Boards of Trade or other business organizations and railways be named to consult with the present Eastern Classification Committee in connection with the provisions of the new Classification.

3. *It was further the opinion of the meeting that there should be no disturbance at the present time in the present class rate relationships now existing in Eastern and Western Canada as a result of the finding of the Board of Railway Commissioners in the inquiries conducted in the Eastern and Western Rate Cases and Orders issued in relation thereto, or subsequent Orders.*

4. The Chairman of this meeting was instructed to submit a copy of this resolution to the Board of Railway Commissioners to-morrow.

The foregoing was unanimously agreed to by all organizations represented with the following exceptions:—

Saskatoon Chamber of Commerce—Voted in favour of paragraphs 1 and 2, but dissented to paragraph 3.

Vancouver Board of Trade—Mr. McGeer representing this organization made the following statement:—

“On behalf of the Vancouver Board of Trade I take the position that I cannot vote in favour of the Resolution, and would ask leave to submit the Resolution to my Board for their consideration and action, such action to be reported to the Board of Railway Commissioners at as early a date as possible.”

Winnipeg, Man.,

April 26, 1921.

Mr. MICHAUD: In view of your decision I think I will submit to you this morning a report I have received from a lumber company. I will let you have it.

The CHAIRMAN: Yes. I will answer it. Mr. Lanigan was making a statement when we adjourned last. Would he please continue.

Mr. SHAW: Before you go on with that, there was a matter I spoke to you about the other day. That is the matter of getting a statement from the western provinces showing the value of the tax exemption privileges enjoyed by the C.P.R. I may say, I spoke to two or three officials of the C.P.R., but they did not seem to have the available information. I think perhaps we have it in Saskatchewan in the evidence of Mr. Langley. I think, perhaps, we could get it from somebody so far as the province of Alberta is concerned. It would be highly desirable.

The CHAIRMAN: How do you suggest our getting it?

Mr. SHAW: I thought it would be probably satisfactory to you and the Committee if, perhaps, we might wire the Minister of Municipal Affairs at Edmonton, who would be able to give it.

The CHAIRMAN: Is it important that we should have it?

Mr. SHAW: I think it is, not only for this reason, but this is one of the reasons, because the Crownsnest agreement was brought into the question of tax exemption enjoyed by the C.P.R. and was one of the factors discussed at that time. I think under those circumstances it would have a bearing on the agreement.

The CHAIRMAN: You think it is available?

Mr. SHAW: Mr. Langley mentioned it for the province of Saskatchewan and I have not any doubt the Minister of Municipal Affairs situated in Edmonton could give us the information.

The CHAIRMAN: You would want Manitoba and Alberta?

Mr. SHAW: Yes.

Mr. McCONICA: What would the bearing of that be on this?

The CHAIRMAN: I don't quite see it myself.

Mr. SHAW: The only thing, I think, if the Chairman were to wire it would be very much more desirable.

The CHAIRMAN: I will do that.

Mr. McCONICA: I have a telegram which I am asked to read to the Committee (reads):

"REGINA SASKATCHEWAN, 9-10 June, 1922.

"T. H. McCONICA, M.P.,
HU., Ont.

"Re Lanigan's statements regarding myself when appearing before Railway Commission at Regina, I expressed regret that member of the Board representing the West had previously been an official of the Canadian Pacific Railway Commission. Thought this unfair to Dr. Rutherford, and in deference to their wishes it was struck out of my statement; nothing else was struck out. Read this to Committee and send it to Ottawa *Citizen* for publication. Was not, and am not chastened.

GEO. LANGLEY."

W. B. LANIGAN recalled.

WITNESS: Mr. Chairman, I had finished my statement, but there were one or two typographical errors in the printed report. On page 452, the last paragraph from the bottom: "A. Via Buffalo and water and that is why competition on the water rate is reflected into the winter months—". It should be "by the water rates," not "on the water rates." On the next page: "By the Chairman: Q. You would be hauling a good deal from Port McNicoll?" The third line, "that grain that is stored at Port McNicoll might as well have been stored at Buffalo," instead of "might," and the next page on the third line, "in handling grain via St. John and Halifax as confronted with," should be "is confronted with"; and then in the next paragraph in answer to a question by Mr. Michaud, the second last line, "you cannot find where a railway company gets any remuneration," should be "gets any profit." In a question by Mr. McConica it should read not "light and delicate," but "light and bulky." On page 463, in answer to a question by Mr. Hudson, reads "net earnings in round numbers, \$41,000,000," it should read, "net earnings in round numbers, \$34,000,000." On page 464, in answer to a question by Mr. McConica, "there was a train of grain from Winnipeg to Arcola," I think you said Arcola to Winnipeg. On page 475, the second last line, "speaking of Ontario and her little mines," it is "her nickel mines." On page 476, after speaking of the figures in this connection, I state in this connection I said that "the entire consumption of Canadian northwest fruit which is mentioned in the Crowsnest Act is less than is shipped from British Columbia," not "less than in British Columbia."

By the Chairman:

Q. Mr. Watson, would you look at page 41 when you get a chance and see that statement by the C.N.R., and see if you can give us the same thing for the Grand Trunk?

Mr. CRERAR: Is the description correct on the first page, the name of the witness?

WITNESS: No. It should read "Freight Traffic Manager."

By Mr. German:

Q. It may be in the evidence, but I have not seen it. What was the rate on grain, say, per hundred pounds, say, from Calgary to Winnipeg, under the Crowsnest agreement?—A. The Crowsnest agreement did not cover grain from Calgary to Winnipeg, but from Calgary to Fort William. It was 26 cents, speaking from memory.

[Mr. Lanigan.]

By the Chairman:

Q. You will find it on page 223 of the evidence. What is the rate now?—A. I think it is 30 cents; 36 cents.

Q. Ten cents a hundred more now than it was then?—A. Yes.

By Mr. German:

Q. Could that be reduced to the Crowsnest rates, or would it be reduced?—A. How far it would be reduced would rest with the Board, I presume. My recommendation was that there should be a reduction on all basic commodities and I mentioned in my report especially in connection with grain to Fort William. When I say Fort William, I mean the lake front.

Q. Would you be willing to make a suggestion as to the reduction, speaking with reference to this? Would you care to make a suggestion?—A. No, sir. I would not care to make that suggestion. As I understand, some time ago the Government said they were having some conferences with the railway authorities as to the rate reductions on basic commodities. Those are conducted by the executives and I am not one of them.

Q. I think Mr. Beatty suggested 16.66 per cent.—A. It is practically taking off the last advance.

The CHAIRMAN: Mr. Hudson was about to examine Mr. Lanigan and ask him some questions, when we left the other day.

By Mr. Hudson:

Q. I have here the statement submitted by the C.P.R. to the Railway Commission in the last rate case, a statement showing the earnings for the nine months ending September 30, 1921, and the other for the year ending December 31, 1921. Are those figures in those statements correct?—A. I did not prepare those figures, so I don't know.

Q. Are you willing to have them accepted now, the statements issued and submitted to the Railway Commission accepted by this Committee as being true statements?—A. I presume they are, sir.

Q. I would like to put those in, Mr. Chairman.

The CHAIRMAN: You don't ask to have them printed?

Mr. HUDSON: No, I don't think they need be.

Q. In Mr. Beatty's statement he said the cost was \$19,000,000, and I find on looking up your annual report of 31st December, 1898, when the railway is said to have been completed, that the cost there stated is \$8,709,806. What is the explanation?—A. Of course the explanation is the additional branch lines that have been built to the Crowsnest line since, the extensions of the Crowsnest lines.

Q. The Crowsnest as originally built under the contract only cost \$8,709,000, according to the statement?—A. I presume that is correct.

Q. Now, the net earnings of the Canadian Pacific Railway for the year 1919, after the Crowsnest pass agreement was made, exceeded those of the preceding year?—A. Well, without having the annual report here, I could not say.

Q. You were to have that for us, have you got it here?—A. I gave that to you, and you sent it back again. Do you mean the earnings for 1898?

Q. In 1899, when the Crowsnest pass agreement was in force; your earnings for that year exceeded those for 1898, before it came into force?—A. That is quite possible. The 1899 reduction did not take place until the first of September.

Q. Well, we will take 1900 as well?—A. That is quite possible.

Q. Can you give me a statement of the net surpluses of the Canadian Pacific Railway from operating, after paying dividends and fixed charges, from say 1910 to 1921?—A. I cannot give that to you now. Those are accounting figures; I am not an accountant, and have not charge of those figures.

[Mr. Lanigan.]

Q. I find in one of the Exhibits filed by Mr. Symington before the Railway Commission that the aggregate amount of the net surpluses over and above dividends and fixed charges from 1910 to 1920 was \$116,476,000, and for 1921 \$755,000, making a total of \$117,232,000 and odd. Can you say whether those figures are correct or not?—A. I could not say.

Q. Will you have them checked up?—A. Yes.

Q. In addition to the earnings of operations, the C.P.R. during those years, had net proceeds from other operations after paying dividends of \$20,530,000 in 1920 and \$3,187,000 in 1921. Will you have that checked up as well?—A. Yes.

Q. In addition to that they received from land sales during those years \$37,673,000, and in 1921, \$1,979,000. Will you have those checked up too?—A. If those figures were supplied by the Company they are undoubtedly correct.

Q. Your theory, Mr. Lanigan, is that the Railway Company should be entitled each year, out of its operation revenues alone, to receive enough to pay its fixed charges, its dividends, and some percentage for reserve?—A. That is the theory of the Board of Railway Commissioners.

Q. And that is the theory you put forward to this Committee as a correct theory?—A. I quoted the Board's judgment in that respect.

Q. Do you think it would be right to ignore surpluses acquired in preceding years?—A. Yes sir.

Q. Why?—A. Simply because if you remember in my evidence I quoted from the Board's judgment in that respect. That is at Page 443.

Q. You base your principal on authority, not on any reason you wish to give yourself?—A. Well, that is what the Board said after an investigation lasting three years, and I do not know that I can criticize it.

Q. Is this not the effect of your contention, that you think it is the duty of the Railway Commission to fix such rates as will guarantee you a minimum dividend, and that you should be entitled to any surplus you can make over that through all time?—A. My personal opinion is that the Canadian Pacific Railway should be allowed to earn its dividends and to earn a reasonable surplus for protection in the future, and for additional operations and additional extensions.

Q. That is, in bad years and in good years?—A. We are taking the bad years in the last three years.

Q. But you take the bad years and ignore the good years?—A. We do not ignore the good years.

Q. You want us to ignore the good ones?—A. I am not asking you to ignore anything. The Board will certainly make up its mind. I have made my statement and I think I made it plain.

Q. I asked you if you could make a statement of the earnings in British Columbia in 1921. Have you been able to do that at all?—A. No. You cannot make an estimate of earnings on that division and make it with any degree of accuracy. It would not be fair to take forwarded freight and the received freight together, because you would multiply every dollar that was carried locally by two.

Q. You said at some place in your evidence that estimates were merely guesses?—A. They must necessarily be guesses.

Q. In making the estimate which you say you prepared for Mr. Beatty and which he gave to this Committee, what were the uncertain factors?

The CHAIRMAN: If a jury said they made a guess, it might go, or a Board of arbitration.

Q. But you did not mean a guess, did you, Mr. Lanigan?—A. No sir, I did not mean a guess. I made an estimate for Mr. Beatty which he submitted here, if if that is the estimate that is referred to.

By Mr. Hudson:

Q. I think you used the word "guess" later on?—A. I may have used it.

[Mr. Lanigan.]

RAILWAY TRANSPORTATION COSTS

Q. What you mean is that there are a large number of uncertain factors?—A. Later, Mr. Hudson, I think I said that you could not get an exact duplicate of one year with another. You will not get the same crop, you will not get the same character of freight, or the same average haul.

Q. I want to get the uncertain factors; first, whether you will have to pay as much for wages as before, whether you will have to pay as much for material as before; next, whether you will have as much freight to handle as before; next, whether that freight is going to be distributed in the same way as it was before. What others are there?—A. There is the average haul, and there is the character of the freight, which varies very substantially from year to year.

Q. The railway companies have made estimates for the Railway Commission which have been very wide of the facts before?—A. No, they have not made estimates which have been very wide of the facts.

Q. Wide of the results?—A. Perhaps wide of the results. We have not been given the gift of prophecy any more than the rest of the Committee have.

Q. In 1920 for instance, you applied for an increase in rates, and you then made an estimate of how much you were going to have to spend for supply and for wages, and that estimate turned out to be far too high, did it not?—A. I do not remember that estimate in that respect; I did not prepare it, so far as the wages were concerned.

Q. Would you say that I was wrong if I said that in supplies alone it was about \$9,000,000 too high?—A. I would not like to say, because I did not prepare the figures. I have nothing to do with the purchasing of supplies. A third factor is, you may recollect, the quantity of supplies you may require and the character of the work you are going to do, or the amount of work you are going to do.

Q. You may have given a wrong guess to the extent of \$9,000,000 in that one branch of the estimates?—A. I could not say, I do not know.

Q. We will get that later on. Does that not establish to your satisfaction, Mr. Lanigan, that estimates may be very wrong?—A. Absolutely. I never considered that they would be anything else. If you are going to make an estimate as to what is going to occur, you know just as well as I do how uncertain it may be. The very basic facts upon which you have an experience this year may not be duplicated next year, and you could not tell, nor could I tell what the price of steel rails is going to be in July next.

Q. You made an estimate of what you might lose if the Crowsnest pass agreement came into effect in July; I would like you to make an estimate or a statement of how much the C.P.R. has profited by the suspension of the Crowsnest pass agreement since 1918?—A. Well, I presume that could be done.

Q. Your figure for 1922 is \$12,000,000 is it not? Would it be as much for 1921 or larger?—A. 1922 was based on 1921.

Q. In your judgment then, the C. P. R. profited by the suspension of the Crowsnest pass agreement to the extent of at least \$12,000,000.—A. No, I am not saying that. If you will look over our annual report for the last three years, you will see that we have barely paid our obligations.

Q. But if the Crowsnest pass agreement had been in force you would not have paid them?—A. No.

Q. You would have been \$12,000,000 behind?—A. It depends upon the year.

Q. 1920 would be much in the same way as 1919 and 1918?—A. To the extent that the rates were not reduced to the Crowsnest basis, our gross revenues were affected.

Q. Would it be fair to say that since the suspension of that agreement the C. P. R. has profited to date to the extent of at least \$40,000,000?—A. No, I would not say so, because we have not any such profits.

Q. Well, you are that much better off?—A. We are better off than being ruined.

Q. You are better off to the extent of \$40,000,000 than if this agreement of

[Mr. Lanigan.]

yours had been in force and enforced?—A. I would not say whether we are or not. Our gross revenues are that much, a certain substantial amount higher than they would have been had the Crowsnest pass agreement been in effect; our operating costs have mounted proportionately. Our annual report shows what the activities of the company brought us in the way of surpluses and dividends.

Q. That is not a straight answer to the question, Mr. Lanigan. Is the C. P. R. not \$40,000,000 better off because the Crowsnest pass agreement was in suspension?—A. It is better off, but how much I cannot say.

Q. Well, basing it upon your estimate for the coming year, is the C. P. R. not at least \$40,000,000 better off?—A. Yes, if you base it upon our estimate of next year, which is \$12,000,000, and if you say the profits for the last three years were the same, it would be \$36,000,000.

By the Chairman:

Q. Was that \$12,000,000 net?—A. \$12,000,000 from the rates in force from December, 1921.

Q. But was that on the gross earnings or the net earnings?—A. That would be on the gross earnings.

The CHAIRMAN: On what page of Mr. Beatty's statement?

Mr. HUDSON: I have not got Mr. Beatty's statement here.

By Mr. German:

Q. Mr. Lanigan, I understand that the Railway Board has in their decisions declared that in their opinion the C.P.R. should be allowed to earn enough money to pay their fixed charges, and minimum dividends, and have a surplus?—A. Yes.

Q. Then if the Crowsnest pass agreement had been in effect during those years, you would have lost the revenue which the suspension of that agreement has brought to you, and that deficiency would have to be made up—if the Railway Board's decision is to be effective at all—by an increased rate on other commodities?—A. Absolutely.

Q. In the West and in the East?—A. Yes.

Q. If the decision of the Railway Board is to be carried out?—A. In what was known as the 15 per cent advance the Board practically said: "Owing to the limitations of the Crowsnest pass Act we are not able to advance as much as we think, possibly, the advance should be," and they gave the 15 per cent advance subject to the limitations of the Crowsnest pass Act no doubt—and it is entirely speculative—if the Board had not the Crowsnest pass Act facing them they might have advanced 12½ per cent.

Q. The money would have to be made up on the freight rates in some way?—A. The money would have to be made up on freight rates, of course.

Q. And if the opinion of the Railway Board was to be given effect to, that you were to have your dividends and a surplus, then that extra money you would lose by reason of the operation of the Crowsnest pass agreement would have to be made up by extra charges in some other way?—A. Yes.

Q. Against the West as well as the East?—A. Yes.

By Mr. Hudson:

Q. That is not a decision of the Board, is it, Mr. Lanigan?—A. Yes.

Q. That you have to have your revenue, even if there is an agreement outstanding like the Crowsnest pass agreement, which is binding upon the Board?—A. I do not quite understand your question.

Q. Do you mean to say that the Board is going to put all the commodities out of line so much? Do you mean to say that the Commission could have put the rates so high that you would earn your dividends if the Crowsnest pass agreement had been enforced?—A. The Board has said that a commercial company—and spoke of

[Mr. Lanigan.]

the Canadian Pacific Railway particularly—had a right to earn its fixed charges and reasonable dividends and surplus which, at that time, they put at half the current value of money. That was an expression made by Mr. Muller originally, who was the expert hired by the Dominion Government at the time of the investigation which spread from 1911 to 1914. He put the surplus over and above dividends and fixed expenses at 2½ per cent, the value of money at that time being about 5 per cent, that is, in the case of large borrowings, and the Board said, "We consider this is reasonable."

Q. Supposing the rates had been put up to the rates on other commodities, would not that have destroyed traffic absolutely?—A. No, I do not agree with you at all.

Q. You disagree with a lot of other people?—A. Possibly I do.

Q. If you had had to take out of the pockets of the shippers from other sources \$40,000,000 in the last three years, or tried to do it, you would have stopped traffic to some extent?—A. I do not agree with that conclusion at all. I think that where rates are put up on certain classes of rough freight you may stop the movement, but on class freight and high-class freight I think the rate cuts very little figure, and would not stop the movement.

Q. We will have to decide between you and some other gentlemen, Mr. Lanigan?—A. (No answer).

The CHAIRMAN: Mr. Hudson, in order that I may get the clear understanding of this matter, if you look at page 46 of Mr. Beatty's evidence you will see his statement that the loss of traffic on grain would be \$7,000,000.

Mr. HUDSON: Yes; that is on grain, not on the other commodities.

The CHAIRMAN: I see.

By Mr. Hudson:

Q. With regard to the difference between grain and the other commodities, I would like you to apportion between the different commodities the \$5,000,000 which you say you would lose?—A. I could not do it without knowing the tonnage and the earnings of the different commodities. I could not tell you what amount of nails or paint or commodities of that kind were carried over the company's lines or how they would be affected. You may remember that in my evidence I said I estimated our earnings per ton based on 1921 would be affected to the extent of 20 per cent.

Q. That was a guess?—A. Yes.

Q. That was not an estimate. An estimate is based on facts to some extent, and a guess is not. This was not based on facts?—A. No; I mentioned that we would have to examine a great many thousands of waybills, adjust the percentage between the carriers, and apply these new rates. It would be an almost impossible task to prepare it with any degree of accuracy in the time at my disposal. I figured the average mileage and the earnings per ton, and said that as far as I was concerned the only figure I could give as the amount by which they would be affected would be 20 per cent. The rates had doubled between the date in 1917 when the Crowsnest pass agreement rates were in effect, the earnings per ton had doubled in the meantime, and I said it would be affected about 20 per cent.

Q. Mr. Lambert, one of the witnesses who appeared before this Committee, gave an estimate of the quantity of binder twine and hardware, two of the principal commodities included in that agreement. Did you make any calculation based on the statement of the quantity of those materials sent out?—A. No; because I could not get them.

Q. They are printed in the statement?—A. There is his statement in which he says he got his information from a hardware dealer and other dealers, and they represent a certain fraction of the whole. Now, I think Mr. Lambert forgets, or did

[Mr. Lanigan.]

not know, perhaps, that the Crowsnest pass agreement did not only affect merchandise rates into the prairies or into Winnipeg, but it affected merchandise rates into the Kootenays and into the interior of British Columbia, and, as far as that is concerned, to the coast.

Q. But you do not take binder twine into the Kootenays?—A. We take a great deal of iron of various descriptions; the mining business is one of the largest consumers of iron products.

Q. You have no further information in regard to that \$5,000,000 that would enable the Committee to form an opinion?—A. That is just as good an estimate, probably, as anybody else can prepare without having the actual figures. I could give you the actual figures, but I would need at least six months to get them out.

Q. The cost of operation of the prairie lines is lower than the cost of operation of other lines, is it not? That is, it costs you less to operate two miles of railway under existing conditions in the West than one mile of railway in the East?

Mr. DUFF: Does that include British Columbia?

Mr. HUDSON: No.

WITNESS: I think it does, per mile of railway, cost a little less, so far as the operating expenses can be segregated.

Q. At any rate, the Committee is entitled to take as correct those statements which you have submitted to the Railway Commission?—A. You must ask some person else. I am not the accounting officer of the company, nor did I prepare those statistics, although I believe they are fairly correct.

Q. You gave me a statement about earnings from 1897 to 1902, but you did not show net earnings in that?—A. No; and I do not think that net earnings—and I am supported in this opinion by the decisions of the Board—can be split up between different sections of the line.

Q. You can give me the net earnings as they were split up in your statements, can you not?—A. Those net earnings there were given just as they came from our statistics; but that does not include the service that each section of the line does for the other; you cannot split one line of railway into two different parts as if you were operating two different lines of railway.

Q. Your criticism of Mr. Symington's operating ratio was based upon his statement at one place alone, was it not?—A. It was based on his statement in connection with 1921.

Q. If you had looked at the printed statements which are in the next number, you would find his operating ratio for Eastern lines was not 70, but 80 something?—A. I have not got his evidence, but I think it is pretty clear that he said it was 70.

Q. You will find it in the statement. In the body of his evidence it is given as 70 something, but he was not here when that was written out, and in the formal statement which is put in his calculations are all based on 80 something?—A. That does not make any difference.

Q. It makes a great deal of difference to your criticism?—A. No; because he gives the figure of \$41,000,000.

Q. We will examine your statement to the Commission?—A. The net profit of the company was \$34,000,000.

Q. You said something about the business of the Great Northern as compared with the C.P.R. Would you be surprised to know that the net earnings per mile of the C.P.R. on western lines were three times what they were in the case of the Great Northern?—A. Yes; I would be very much surprised to know that.

Q. I would be glad if you would look up Poor's Manual as to the net earnings per mile of the Great Northern for 1920?—A. And I would be glad if you would look up the same authority for the net earnings of the C.P.R. on western lines for 1920.

[Mr. Lanigan.]

Q. They are put here at \$3,466?—A. I say you cannot get the net earning of any one portion of the company's system and segregate it as if it was operated as a separate company.

Q. I am taking your figures that you submitted to the Railway Commission.

Q. The statement that you gave the Committee about the empty car movement was just during the grain months, was it not?—A. No. I gave it to you on western lines for all the year and then from January to August and then from September to December.

Q. The percentage for the whole year is a little higher but not very much higher in the west than in the east?—A. Yes, but the percentage during the grain movement is very much higher than at any other season.

Q. And the cost of moving empty cars in the western section of the C.P.R. are included in the operating expenses of that division?—A. Absolutely.

By the Chairman:

Q. Are the repairs included too and charged to the west?—A. No. The repairs for instance done at the Angus shop are charged of course to eastern lines. The major repairs are done of course in the Angus shop.

By Mr. Hudson:

Q. Did not the C.P.R. charge higher rates than prescribed by the Crowsnest pass agreement on the movement of horses from eastern Canada?—A. During the existence of the agreement?

Q. During the existence of the agreement.—A. Well I would not say, because the agreement really, Mr. Hudson, was not in force practically after 1914 with the small exceptions that I mentioned the other day.

By the Chairman:

Q. What was that small exception?—A. It was fruit in less than carload lots.

By Mr. Hudson:

Q. I have the tariff for live stock and I find the tariff on horses was higher than that prescribed. What is the explanation?—A. I cannot give you the explanation on matters that happened so long ago without looking them up. My memory is limited, and I am getting perhaps a little old, and what happened in 1899 on the detail of figures, I might be excused for not being able to remember.

By Sir Henry Drayton:

Q. When were they put into line?—A. In 1898. In 1899 or 1900 they went up. I don't think they ever went down on horses.

Mr. HUDSON: If you wish I will file those and they can all be checked up.

The CHAIRMAN: It would not be worth while. I thought you had the figures there.

Sir HENRY DRAYTON: Refer to the tariff numbers.

Mr. HUDSON: There was a difference of a few cents. It is not very material. It shows the agreement was not—

The WITNESS: No one can make calculations and some times errors are very liable to occur and may go on until some person makes a complaint or speaks of this.

The CHAIRMAN: Was this question ever raised in the West before, Mr. Hudson?

Mr. HUDSON: I never heard of it until it was brought to my attention on Saturday.

The WITNESS: It could not have been of very much importance or it would have come up before this.

Q. You made a comparison in your evidence about a dollar in the West and a dollar in the East. The western dollar was not exactly the same as the eastern dollar, was it, in freight?—A. No, if I remember right it was \$1.50 and \$1.89.

[Mr. Lanigan.]

Q. But when we started out, it would take \$1.15 or \$1.20 to buy the same amount of freight carried into the West as it would in the East.—A. No, sir.

Q. That is what the Railway Commission held?—A. No, I don't see where the Railway Commission held it, because after all what a dollar was worth was a dollar in return to the company and there was just 1/100ths of one cent difference in the ton returns in 1917 that there was later.

Q. You got from the shipper in Western Canada \$1.15 or \$1.20 for doing the service which you got a dollar for in Eastern Canada?—A. In what respect?

Q. They held the rates were 15 to 20 per cent higher in Western Canada than in Eastern Canada.—A. Mr. Carvell said in one of his judgments he thought the rates generally were from 15 to 20 per cent higher than in Eastern Canada. I don't remember exactly what it was.

Q. Than in Eastern Canada?—A. But afterwards he said that that was his best guess and he was not able to show where it was. Now as a matter of fact in—

By Mr. Shaw:

Q. Where does Mr. Carvell state that?—A. I am speaking from recollection.

Q. Did he give a judgment to that effect?—A. No, it was not a judgment. It was a remark in his judgment, and after all it came down. We only received just about the same in the West as in the East per ton per mile, as far as the returns to the railways were concerned.

By Hon. Mr. Crerar:

Q. That is the gross amount, Mr. Lanigan?—A. The return for hauling a ton of freight in western Canada and the return for hauling a ton of freight in eastern Canada in 1917 was about the same.

Q. Are you speaking of the net or the gross?—A. The gross return to the company. The return per ton per mile is always gross return. It means the return the company gets for hauling a ton of freight one mile. It is a unit that is used by all carriers.

By the Chairman:

Q. Are you required to furnish statistics to the Railway Board on that basis, per ton per mile?—A. No, I don't know about that.

Q. It is only standard railroad accounting?—A. We are required by the Act to furnish the Board of Railway Commissioners any information they want and since the rates were raised the Board of Railway Commissioners demanded minute and particular information from the companies monthly and in that connection there is a rate per ton per mile.

By Mr. Shaw:

Q. You also make a statement of the net returns for each ton mile do you not?—A. No. That calculation could be reached by taking all your freight earnings and dividing it by your costs.

Q. Did not Mr. Symington make his calculations on that basis?—A. He gave the correct return for Western and for Eastern lines.

Q. He figured it out on that basis?—A. No, he did not figure it out on the ton per mile basis.

By Hon. Mr. Manion:

Q. Mr. Symington gave the proportion for Western and Eastern lines and he gave them very much greater for the Western lines than for the Eastern. You correct me if I am wrong. You say they cannot be divided between the East and the West.—A. No. It cannot be divided into any section between one portion of a road and another portion of a road either as to net profit or anything else. For many years we had a statistical form gotten up, as I have explained in my evidence

[Mr. Lanigan.]

in the 1914 case. We credited them with so much earnings and we debited them with so much operating expenses and that statistical return was got up for the purpose of one general superintendent vying with another one and is for general information. It was not accurate. It was never used as an accounting system, but it was merely a statistical return got up for that purpose. Our accounts are not divided as far as Eastern and Western lines are concerned but in so far as it was inaccurate for eight divisions, it is equally inaccurate for two, because as I explained the other day every portion of our line is complementary to the other portion.

Q. Your grain traffic is carried over the eastern lines?—A. It is carried at an extremely low rate from Fort William to St. John or from Fort McNicoll to Montreal. How are you going to segregate that, instead of saying, "well that is the expense and earnings of western lines and that is the expense and earnings of eastern lines"? It is an absolute impossibility. Our annual report shows the tonnage carried and of course the remuneration for carrying it and the expense.

Q. To carry that a little further, I want to get that clear. You would go so far as to dispute absolutely the statements of Mr. Symington as to western earnings as compared with eastern earnings?—A. Absolutely.

Q. You mentioned just now the handling of empty cars. Would you say that the proportion of empties going back to Fort William, which have brought the grain down would be higher or lower than the proportion of empties going back from Montreal and St. John that have brought the grain down?—A. I think during the season of navigation at St. John and during the season of navigation at Montreal the percentage of empty cars going back to those places—and I have no means of verifying this because we only keep our car mileage for each division, would be the same as I presume it would be to Fort William, but that is western grain, you will see. We have some corn that comes in there once in a while but we have no local grain.

Q. But the handling of cars from St. John or any other section up to Fort William is charged up to the eastern lines?—A. Yes.

Q. So that is the reason you cannot segregate the cost, because it is traffic caused by western grain?—A. We have a great many more cars than would be absolutely necessary if the movement of grain was distributed over a longer season, but there was 75 per cent, I think, moved in the last three months.

By Mr. Hudson:

Q. Do you say that railway accountancy has not been able to devise a method properly to allocate earnings between different sections of the railway?—A. Yes, sir.

Q. Railways in the United States pay taxes they said on earnings?—A. They said on earnings that are prorated per mile passing over the lines in the United States.

Q. You pay taxes in that way in the States?—A. It is the only way to base your taxes. We are probably paying taxes in Manitoba on a carload of stuff originating in Shanghai going to New York.

By Mr. Macdonald:

Q. On page 311, Mr. Symington in his evidence says, speaking about the figures that he gave, "that was the position, and therefore they laid down their judgments and it is accepted by the Board and was accepted in this case, that the only railway to be considered as a rate making proposition was the road known as the Canadian Pacific Railway. That is the reason why all these figures are C.P.R. figures; they are figures furnished by themselves at our request on these various rate cases before the Railway Commission." Did you before the Railway Commission give an explanation as to what you say is the inaccurate nature of these figures you have given now?—A. It has been given to the Board in various cases.

Q. Was it understood by the Board they were based on estimates and were not actual results?—A. Yes, in the last hearing before the Board it was pointed out it would be impossible to segregate the expense or operating ratios between two or more sections of the line.

[Mr. Lanigan.]

Q. Mr. Symington based his argument in regard to his position in this matter upon those figures and I asked him at the time as to whether there was another side of the case in regard to the matter. I want to know whether what you have told us now is similar to what was presented on behalf of your company when the rate case was argued?—A. Yes. I know it is in the evidence. I think I have here a transcript of my evidence on that before the Railway Commission and it is practically similar to what I state now.

Q. I want to ask as to whether the Railway Commission, coming to the conclusion in regard to the question of rates, whether those figures Mr. Symington presented as being actual accurate figures, acted in a judicial capacity?—A. They have not given their decision in this case. In previous rate cases I think I quoted their decision, it was impossible to divide a railway up into eight sections and get anything like accurate results.

Q. You want us to come to the conclusion that these figures quoted by Mr. Symington are not to be treated as absolute figures?—A. They are not accounting, but statistical figures purely.

Q. I want to get a concrete statement of whether the position of the company is that the Committee are not to treat the figures as being an exact statement of eastern and western lines?—A. Absolutely not.

By the Chairman:

Q. Do you refer to the statement where Mr. Symington said the eastern lines were 30,000,000 and the western lines 11,000,000?

By Mr. Macdonald:

Q. Mr. Symington speaks as follows on page 311: he gives the percentage of operating ratio and the net earnings. Then on the next page he quotes the figures from 1916 to 1920, and what I wanted to get at is whether Mr. Lanigan, speaking on behalf of the company, takes the position that we are not to take these figures as being accurate statements of what the difference between east and west is?—A. He gives the company there a net profit of some \$41,000,000, eastern lines \$11,000,000 and western lines \$30,000,000, and these are in the rough, of course. He gives the earnings west of \$101,000,000 and east \$85,500,000, making a total of \$187,400,000. The gross earnings of the company, which I gave from our annual report for 1921, were \$193,021,000; so that the amount unaccounted for was \$5,621,000 of gross earnings.

By Mr. Shaw:

Q. Did he not as a matter of fact get this statement he gave from the Canadian Pacific Railway Company and present it before the Board?—A. Absolutely. He asked us for certain statistical information, which we gave, and he deduced these figures from that statistical information. You must understand that they are not accounting and they are not proper accounting figures, and proper accounting figures cannot be segregated between the different sections of the road.

By Mr. Hudson:

Q. I want to show you this statement which the company has submitted to the Railway Commission. On the first line of this statement is this: Operating revenues, net earnings ending December 31, 1921. Operating revenues, lines east \$85,553,979.72. That is what Mr. Symington said?—A. Yes.

Q. Lines west, \$101,900,025.89—and that is what Mr. Symington said?—A. Yes.

Q. All lines \$187,454,005.61?—A. Yes.

Q. That is what Mr. Symington said?—A. Yes.

Q. Net earnings, lines east \$11,674,201.69—that is what Mr. Symington said?—
—A. Yes.

Q. Lines west, \$30,026,451.65, and that is what Mr. Symington said?—A. Yes,
[Mr. Lanigan.]

Q. Net earnings, lines east \$11,674,201.60—that is what Mr. Symington said?—
A. Yes.

Lines west, \$30,026,451.65, and that is what Mr. Symington said?—A. Yes, exactly, and those figures are just figures that are got up, as I said before, Mr. Hudson, for operating purposes, not accounting purposes, nor can you find them in any of the accounts of the company, and I say distinctly that it is impossible to take any one section of the line, both sections being complementary to each other, and divide the net with any degree of accuracy whatever.

By the Chairman:

Q. Is this not the case; two-thirds of your lines are in the west?—A. I think our lines in the west are 69 per cent greater than they are in eastern Canada.

The CHAIRMAN: The proportions would seem to work out pretty well, accepting Mr. Symington's statement.

By Mr. Hudson:

Q. Mr. Symington's figures are Mr. Lanigan's figures exactly?—A. They are our statistical figures, but after all it boils down to the annual report.

By Mr. Macdonald:

Q. What were you going to say about that?—A. Taking his figures, it would leave operating expenses eastern lines \$74,522,000, western lines \$71,900,000, deducting \$11,000,000 in one case and \$30,000,000 in the other from the revenue, leaving \$146,400,000 operating expenses, and our operating expenses were \$158,820,000.

Q. The actual accounting figures?—A. Yes.

Q. I asked Mr. Symington, I see at page 337, whether, referring to these figures, there had been an argument made against them by the railway companies, urging the contrary, and he said yes. What I want to get at is whether or not it was made clear to the Railway Commission what you are making clear to us?—A. Absolutely.

Q. Or what you are trying to make clear?—A. Absolutely. In defence to Mr. Tilley's argument it was made clear I think, although I would not say that the Board would accept what we said in advance, because it is for the Board to decide, but the Board has already decided that statements of that character have no real value, and if you take Mr. Symington's figures as they stand they will show the absurdity of it, accounts for \$187,400,000 of our revenue, while we had \$193,000,000. There was \$5,621,000 of revenue that was not mentioned by him. There is \$12,420,000 of actual operating expenses that are not accounted for; in other words, the only conclusion you can draw from that manner of figuring is that in order to do \$5,621,000 worth of business we had a cost of \$12,420,000.

By Mr. Hudson:

Q. Do you say that these statements are not true?—A. They are true in so far as the company's statistics are taken out, but they are not true from an accounting standpoint.

By Mr. Macdonald:

Q. They are true, but they are not the whole truth?—A. They cannot be the whole truth. We are not running one line west of Fort William and another line east of Fort William, having two separate corporations, and two separate sets of accounts. If we did that, the expense of what one performs for the other would be charged up to the other, the same as divisions are made between railway companies that are separate from each other but which interchange traffic.

[Mr. Lanigan.]

By Mr. Stewart:

Q. It seems to me that we are entitled to more information than is given by Mr. Lanigan's statements. These statements appear to have been supplied to the Board, statistics requested by Messrs. Hudson, Ormond, Spice and Symington, counsel for the Manitoba Government. Are these statements to be considered with respect to or along with other statements used upon that investigation?—A. Mr. Stewart, there were a great many statements submitted in that investigation, all more or less relating to each other, one side arguing one way, the other side arguing the other way, each producing statistics of that character; in other words, this becomes a rate case. These figures were submitted to the Board, and they were submitted to the Board for what they are worth. They are statistics which we have actually kept in our department, but they are not accounting figures, because we are not operating two different companies, one west of Fort William, the other east of Fort William, and keeping separate accounts.

Q. As I understand it, these two statements that have been filed this morning are statistics filed by your railway for the use of Mr. Hudson and Mr. Symington and the counsel associated with them, and do not represent statements supplied to the Commission by your own road for the purposes of counsel?—A. We filed copies of the same statements with the Board; in other words, we gave the counsel whatever statistics of that character we had in our offices. But they are not accounting figures.

By Sir Henry Drayton:

Q. The whole thing is this: your position is, Mr. Lanigan, that they were asked for certain figures, that they gave those certain figures, and those certain figures did not properly represent the entire situation; is not that the whole thing?—A. Yes.

By Hon. Mr. Stewart:

Q. I would like to follow this thing up a little. These statements contain most comprehensive records of operating expenses and of revenue. What I would like to ask you is whether in your view there is sufficient in these statements by themselves to enable this Committee to come to an intelligent conclusion, or is it necessary that we should have other statements that were filed in the investigation before the Railway Commission?—A. If you take these figures by themselves, they are merely a system of statistical information that we draw up; they are simply approximations. you would have to take the evidence, Mr. Stewart, and all the statistics filed by both sides—I think they cover something like ten or twelve very large volumes—to get the significance of these figures. Mr. Symington has drawn certain deductions from these figures, as though we were keeping two separate accounts, debiting western lines, and debiting eastern lines. We are not doing anything of the kind. We have drawn from our own figures this statistical information, but not binding ourselves from an operating standpoint or an accounting standpoint.

Q. Here are certain sets of figures, one running through the first nine months of 1921, the other for the whole of 1921, certain statistics supplied by the Board of Railway Commissioners at the request of Mr. Hudson and Mr. Symington, and I understand the Chairman to state that they were not going to be printed; if they are not going to be printed, I do not see why they should be filed. If they are to be used for the purpose of cross-examining Mr. Lanigan, alright, but if they are going on the record, they should be part of the record, and if they are filed we should have a complete statement, or a statement which includes the information, or what in the opinion of some one competent to judge is a complete statement covering the matters that are contained in these statements.

The CHAIRMAN: I merely made that remark that Mr. Hudson was handing in the two volumes. Obviously we could not print the whole thing. Mr. Hudson will mark the pages he wants to refer to.

[Mr. Lanigan.]

Mr. HUDSON: The reason I put them in was this, that Mr. Lanigan questioned Mr. Symington's statements, and I wanted to show that these were statements given to the Commission on the last Rates Case.

The CHAIRMAN: He says that they are not actual results, that they are approximations in different territories.

By Mr. German:

Q. These are not approximations, these must be accurate.—A. They are accurate as far as they go, surely; in other words, we gave Mr. Symington what statistics we had.

By Hon. Mr. Stewart:

Q. That he asked for?—A. Yes. These statistics are not used by our accounting department, and they are not used by our traffic department. When Mr. Symington asked a question, or asked for a certain return, we gave him whatever statistics we had compiled in our statements for them, but as I said before, these statistics are alright as far as they go, but they are not accounts and are not a sub-division of either the revenue or the operating expenses between two sections of the line, east and west, as if those two sections were two different railways that had no relation to each other, but merely a traffic connection.

By the Chairman:

Q. Is this right; if you were asked to state the relative amounts, or the proportion on your eastern lines and on your western lines, you would say \$30,000,000 to \$10,000,000, and that that would be as near as was possible for you to get; is that what you mean?—A. No.

By Sir Henry Drayton:

Q. Let us see if we can get at the basis of this thing. Did you or did you not get at these figures as a result of pro-rating the mileage on your bills?—A. Yes, except on the grain traffic, which is delivered at Fort William, which of course is local to Fort William, and would be also on western lines, although subsequently it would be carried east; all other traffic is pro rata.

Q. Take for example a shipment originating in Vancouver, with a different given rate; do you split that rate up into distances and credit each part as it goes on?—A. Yes, that is what we do.

Q. Although the fact is that these divisions never see a cent, or anything else?—A. No.

Q. In some way in connection with your expenses you act in an inverse way, and you pro rata the expense of your terminal over your whole movement, and you charge the actual expense to each division—is that right?—A. Yes

Sir HENRY DRAYTON: That clears the issue, I think.

By Hon. Mr. Crerar:

Q. You mean that the C.P.R. cannot determine the actual expenditure for instance that has entered into these accounts in its western division?—A. We can tell exactly in what division we spend money, and where it is spent, for either wages or for track maintenance. What I am getting at, Mr. Crerar is this, the freight earnings of the Canadian Pacific Railway were roughly \$128,000,000, and the entire earnings from transportation on the Canadian Pacific Railway amounted to \$193,000,000. Now, the passenger earnings are about one-third of the freight earnings of the company; the engines used in the freight and passenger service are of certain types, and they are interchangeable, that is, a man may run from Winnipeg to Brandon with a freight train, and go back with a passenger train; he may be running that passenger train to-day, and a mixed train to-morrow. The train he is running

[Mr. Lanigan.]

may carry freight that has nothing to do with the division it is being run over. In order to get anything like accuracy, you would have to take each division of the road and use it as a separate line entirely, charging up the expenses and charging up what earnings it would get on through traffic as though it were a separate railway, which of course is impossible. You would then have to segregate your passenger expenses from freight expenses. You know, sir, that here is an engine that is common to both services; here are men that are common to both services, here are station agents who sell tickets, and who bill freight, porters who handle baggage and also handle freight, so that it is impossible to get anything that approximates with accuracy in the division of expenses between divisions, between either of them or two of them as the case may be, or between the services that a man renders to the company in connection with each department of its activities.

Q. That of course may be correct in drawing very fine distinctions; but do you mean to tell me that the C.P.R. for instance does not know what branch lines in western Canada are paying and which are not paying?—A. Only generally. We know for instance that a branch line that has been opened and supplies only sufficient tonnage to operate a train in each direction twice a week, as is often the case. Conditions were that way for some years, and that train was a mixed passenger and freight train. The wages of course paid on that train is for the minimum number of miles the engineer and the train hands are entitled to. The maintenance of that road goes on six days a week, while the earnings of that road are made on one or two days a week. Any person, you yourself would be an equally competent judge in saying that we know that the mere operation of that branch line does not pay. But that branch line is soldered right into our main line.

Q. That is true, but you are able to determine by your method of accounting the extent to which that branch line does or does not pay?—A. No.

Q. With the exception that you are not perhaps enabled to determine the percentage of overhead?—A. A branch line would be nearer than that, but you are segregating the main line into sections; you are segregating the earnings of a passenger travelling from Montreal to Vancouver, giving a portion of the earnings of that passenger to Manitoba, a part to Saskatchewan and a part to Alberta; the same way with freight, freight that they have nothing whatever to do with. There is no road, sir, that does that. It has been attempted hundreds of times to segregate different sections of a road operated by one common company as one corporation. The only thing any person can do—and I speak from some knowledge of the business—is to say at the end of the year that the revenues have been so much and the costs have been so much. But when it comes down to making a segregation and say that one line earns more than another and is more profitable than another, I with all my experience am unable to determine. The amount of money you are getting upon eastern lines for hauling a ton of freight a mile is greater than you get on western lines for performing the same service, and that is bringing it down to a unit.

By Mr. Hudson:

Q. You say you can separate what it cost you for carrying a ton of freight in Eastern Canada from what it cost you in Western Canada?—A. Yes, with that same method.

By Sir Henry Drayton:

Q. When you say there is more in the East, the objection you made to the other statement of Mr. Symington would apply to that?—A. Exactly. The percentage of high-class articles shipped and handled in Eastern Canada is, of course, in a manufacturing district very much higher, relative to the low-class traffic. In the West you have the low-class traffic such as lumber, ores, grain, livestock and hides, and a very much smaller proportion of the class of traffic that pays the higher revenue.

Q. I understand from Mr. Hudson's question that the basic figures to which Mr.

[Mr. Lanigan.]

Symington referred came originally from the Canadian Pacific Railway Company. Applying those figures which were used for statistical purposes to actual purposes—that is, as showing what the receipts and expenses really were—you say that the result is \$41,000,000 of earnings as against \$34,000,000 actually. How does that mistake occur?—A. That occurs in the deduction that has been made from the statistical figures that were given to Mr. Hudson in this last case.

Q. In other words, you say these statistical figures as applied to actual results were in error to the extent of the difference between \$34,000,000 of receipts and \$41,000,000 of receipts that Mr. Symington shows?—A. Mr. Symington's deductions show \$41,000,000 of net profits derived by the Canadian Pacific Railway from its operations East and West. The net actual profits on a greater volume of money were exactly \$34,000,000.

Q. There is that difference. Is there any other way of accounting for that difference except the underlying error of attempting to use those figures for that purpose?—A. That is it, exactly. There are two errors. In the first place, the subdivision of earnings between the two lines is absolutely wrong; at least, it is not accurate. The subdivision of operating expenses between the two sections of lines is not accurate; and the results show they are not accurate because the lesser is greater than the whole.

By Mr. Euler:

Q. Are they of any value at all for the purposes of comparison?—A. No, sir; I do not think they are of any value at all. They are only of value to a railway company for purely operating purposes; they are not used for accounting purposes, and they are not used in the making of rates or for traffic purposes.

By Mr. German:

Q. I show you this statement, and suggest that one month will serve as an example. "Monthly statement of earnings and operating expenses, lines east: Freight revenue for January \$5,418,075"—A. Yes.

Q. "Line west, \$4,350,472." What do those figures mean?—A. I would like to look at them. This is the monthly statement of earnings and operating expenses, lines east, subdivided into months instead of the whole year.

Q. That is divided into months?—A. Yes.

Q. What does it mean?—A. As far as the operating expenses and the actual earnings of both sections of the line are concerned, it has no meaning whatsoever.

Q. Why give it?—A. We compile those statistics to send out to our operating officers.

Q. For what purpose?—A. They show the amount of money that has been spent for different purposes on a division. Against that you put some standard to use for the purpose of contrasting his efforts on one section of the line with the efforts of the other man on the other section.

The CHAIRMAN: It is to accelerate the earnestness of the operating officers.

By Mr. German:

Q. Would not a railway man assume that that was the earning for that month of January on lines east, and that the other figure was the earning for that month of January on lines west?—A. Absolutely he would; but if you compile those figures, the absurdity of them would be reflected in the quotation I made, that you would show a greater profit to the company than the company actually realized.

By Mr. Macdonald:

Q. They are true as far as they go, but they are not the whole truth?—A. No; they are not accounting figures.

By Mr. Hudson:

Q. Is it entirely because of the discrepancy between the \$41,000,000 and the \$34,000,000 that you say that?—A. No; I have said it for years.

[Mr. Lanigan.]

Q. Have you any explanation other than what you have given as to the discrepancy between the \$34,000,000 and the \$41,000,000?—A. No; I am simply carrying out the figure of \$41,000,000 to its logical conclusion.

Q. When do you charge up the taxes you pay?—A. I could not tell you.

Q. Let me suggest to you that taxes and insurance and matters of that kind which are not apportioned between lines would account for the discrepancy?—A. That would not account for a discrepancy of over \$12,000,000 in the operating expenses and \$5,000,000 in the revenue.

Q. Please have that looked up. I think it is the duty of the Canadian Pacific Railway Company to explain that discrepancy.

By Mr. Shaw:

Q. And also, may I suggest, in so far as your outside operations are concerned—
A. What do you mean by our "outside operation"?

Q. I mean outside the immediate purposes of your railway company?—A. They are all given in our annual report.

Q. I judge that you would adopt the position of the Railway Commission so far as these railway matters are concerned?—A. I am forced to adopt their conclusions.

Q. But you disapprove of their ruling, as I understand you, to the effect that no attention must be paid in these rate cases to the deficits of the Canadian National Railway?—A. I have not so expressed myself, but if I may express myself as a taxpayer, I certainly object to any such proceedings.

Q. I suppose while you are a taxpayer you are also the freight traffic manager of the Canadian Pacific Railway?—A. Exactly; just as you are a member of Parliament as well as a taxpayer.

Q. Do I understand your position to be that you want the Railway Commission to change about on that proposition?—A. No; I would not dare to express any opinion as to what a board with all the machinery that it has, and all the information that it can command, should or should not do; I am not a Railway Commissioner.

The CHAIRMAN: Mr. Shaw, are you inquiring if he objects to the rate structure being made on the basis of the C.P.R., as a necessity?

Mr. SHAW: Yes; he said so on page 444 of the record.

The CHAIRMAN: It was the Government that intimated to the Commission that it should disregard the C.N.R.

Mr. HANSON: That they need not regard it.

Mr. SHAW: On page 444 the following paragraph appears:—

"To my mind it is quite impossible for the Board to deal with rates in the West on the hypothesis that the Canadian Pacific is the only railway that should be taken into consideration."

The WITNESS: I think that was a quotation? That is not my opinion.

By Mr. Shaw:

Q. Yes, it is a quotation. You stated further on, I think, that it would be a most unfortunate matter. But what I want to know is whether or not you disapprove of the attitude of the Railway Commission in paying no attention in connection with this matter to the deficits of the Canadian National Railway? Are you speaking on behalf of the Canadian Pacific Railway when you make that suggestion?—A. Whatever I have said here has been said as Freight Traffic Manager of the C.P.R., except where at the end I expressed my own personal conclusions. Those are my conclusions, but whether the executive entirely agrees with them or not is for them to say.

[Mr. Lanigan.]

By Mr. Macdonald:

Q. Who is Mr. Muller whom you quoted a while ago?—A. An expert brought over from the United States by the Dominion Government at the time of the Western Investigation to represent all the provinces and all the interests that were interested.

Q. In what year was that?—A. In 1911. The quotation was made in 1914.

By Mr. Shaw:

Q. You do not approve of Mr. Muller's attitude at that time, do you? Did not the railways, as a matter of fact, oppose his proposals at that time?—A. We opposed what we considered were wrong conclusions on his part. You will notice, however, that the Board endorsed Mr. Miller's conclusion in that respect.

Q. Can you in your railway accounting segregate the operating ratio for freight as distinguished from other transportation?—A. No, sir; for the reasons I furnished a while ago.

By Hon. Mr. Manion:

Q. In regard to these statements, would Fort William be taken in the Western lines or the Eastern lines, or is it divided?—A. Fort William and up to Current River is taken in Western lines. The Eastern division starts east of Current River, east of Port Arthur.

By the Chairman:

Q. How is the freight rate on agricultural implements based at the present time? Is it based on the Chicago rate?—A. The freight rate on agricultural implements from Eastern Canada is the Chicago rate increased under the different decisions of the Board since that time.

Q. That is, the freight rate from Toronto to Winnipeg is the rate from Chicago to Winnipeg?—A. Yes.

By Hon. Mr. Stewart:

Q. If these two statements that are filed here this morning are made a part of the record of this inquiry, would it be the desire of your company to elaborate these figures in any way or to make any further statement with respect to them in order that the Committee might have a full grasp of everything they refer to?—A. Well, if you permit the filing of these figures as a part of your records, I think you ought to permit also the filing of all the figures that were filed both by Mr. Symington and the Canadian Pacific Railway and British Columbia and the rest.

Hon. Mr. STEWART: That is the point, Mr. Chairman, that I think we must determine. These statements have been put in, and the stand taken by the Chair now is that they can be filed but not printed. I do not think it is fair to the members of the Committee that anything can be filed as part of these proceedings and not be printed. I am sure there is no member of the Committee who would oppose the very fullest information being afforded, but if it is going to be furnished we should know what it is. We should know if there are statements brought over by individual members of the Committee from the records of the Board of Railway Commissioners. We should have evidence as to whether the statements are complete or whether there are other statements bearing on these matters, and they should be printed as part of the record. Here are statements that go into the whole question of operating costs. If they are going to be put in as part of the record of this inquiry they should be printed, and also everything else in the hands of the Railway Commission that bears upon this matter.

[Mr. Lanigan.]

By Mr. German:

Q. Mr. Lanigan, how do you arrive at these figures of so much revenue lines east and so much revenue lines west, so much operating expenses lines east and so much operating expenses lines west, as set out in that exhibit which is filed? Why do you charge up against east and west there?—A. In the first place, in your gross revenue every pound of freight that was not billed between points on Western lines, say from Brandon to Winnipeg or from Yorkton to Fort William, would be pro-rated over Western lines, whether Western lines had anything to do with it or not. For instance, we get a great deal of freight of a purely interstate character, freight originating in the United States, which is handed to us say at Portal in Southern Saskatchewan destined for China, or which may be destined for Portland, Oregon. Of that freight so handled the lines in Saskatchewan would get a pro-rate of those earnings, although the lines in Saskatchewan had nothing whatsoever to do with it.

Q. The lines East would not get any part of that?—A. No; because it does not travel over Eastern lines; but that is the manner in which the gross freight revenues of the company are spread over its system for statistical and not for accounting purposes.

Q. Very well. Now then you handle large quantities of freight on the C.P.R. that comes through from China, from the Orient?—A. Yes.

Q. Landing at Vancouver it comes through perhaps to Montreal or New York or points east, Nova Scotia and New Brunswick?—A. Yes.

Q. Do you divide that between those lines, so much for the east and so much for the west?—A. Yes.

Q. In what proportion?—A. In proportion of the mileage.

Q. For instance of your whole mileage in the west?—A. West of Fort William.

By Mr. Hudson:

Q. Mileage of the traffic?—A. Mileage of the traffic. Supposing the traffic came from Vancouver we will say, to Montreal?

Q. Yes.—A. 2,000 miles. I am speaking now roughly; 1,800 and some odd miles of it would be credited to the western lines and the balance to the eastern lines.

By Mr. German:

Q. But the freight did not originate in Canada at all. It originated in the Orient, came over by we will say Vancouver, put on your train and carried to Montreal. The largest part of the revenue from that is credited to the western lines?—A. Yes, in proportion to the mileage.

Q. Of the haul in the two different sections of the road?—A. Yes.

Q. That is the way those figures are made up?—A. Yes.

Q. That is all they are for?—A. That is all they are for.

By Mr. Macdonald:

Q. Take for instance your silk trade. You have a big trade in silk?—A. Very large.

Q. That would come over the western lines and come to Montreal or by Toronto to New York?—A. They go to Prescott and take it across to Ogdensburg.

Q. So the western lines got credit pro-rate from everything from Fort William and the east did not have it, except the short hauls?—A. That traffic would not come via Canada at all if it were not for the service that the C.P.R. is able to give, due to the shorter ocean routes from Yokohama to Vancouver and the character of the steamers we put on, that traffic, all or 99 per cent of it is consumed in the United States and originates in the Orient. To that extent that furnishes employment and transportation over all lines in Canada.

[Mr. Lanigan.]

By Mr. Hudson:

Q. That is an insignificant part of your traffic?—A. It is a small portion but a very profitable portion.

Q. That covers all your trade from Vancouver?—A. Nearly all the export and import traffic for Australia or the Orient is from and to points in the United States.

By Mr. Shaw:

Q. Why do you keep those figures?—A. It is purely for the purpose that we have a Vice President on eastern lines and one on western lines.

Q. It is purely for C.P.R. purposes.—A. It is purely for the purpose of saying "here are the figures. You have to reduce your operating costs. You have to do this or that."

By Hon. Mr. Crerar:

Q. In other words to indicate whether it is costing too much to do business?—A. you have to have some kind of a system of comparison. It is just possible some of these chaps would be pretty complacent about—

Q. In the main the figures must be pretty correct. You are not furnishing your officials with incorrect statements?—A. They are correct insofar as they are correct statistics compiled in that manner. What I am saying, as a figure indicating costs or profits, they are absolutely of no use whatsoever.

Q. Would they be out a million dollars in your expenses on western lines, in the figures shown?—A. I think they would be out several million dollars.

By Mr. Macdonald:

Q. They are true as far as they go, but they are not the whole truth?—A. They are true as far as they go to furnish a standard of comparison.

By Mr. German:

Q. They furnish a standard of comparison of the traffic carried over western and over eastern lines?—A. Yes.

Q. And you know how much of that freight is carried over western and how much over eastern lines?—A. Yes.

Q. But it may not be freight that originated in the west?—A. For instance every pound that comes east of Fort William is credited to western lines as far as Current River. It is only credited to eastern lines east of Current River.

Q. How far is Current River from Fort William?—A. About 4½ miles, and for that 4½ miles the western lines get the credit for everything that is re-billed from Fort William east.

By Hon. Mr. Stewart (Lanark):

Q. Why is Current River taken as the division instead of Fort William?—A. All our divisions are based on what one divisional organization can properly supervise. The terminals are in Fort William and it is necessary to put them under the charge of one superintendent, so our superintendent is at Fort William, so we really only make Fort William division at Current River to bring all the officials under the charge of the resident superintendent; otherwise part would be under the eastern superintendent and part under the western.

Q. Part of your terminals are at this place you mention?—A. No. Fort William, Port Arthur and Current River are practically built into one yard.

Q. It is chosen because it is the first point on the terminal yard?—A. Yes. We have a resident superintendent, Mr. Hudson, and it would be absurd of course to have a superintendent come up from Schreiber to take charge of Port Arthur and have a superintendent at Fort William taking charge of Fort William.

[Mr. Lanigan.]

By Mr. Shaw:

Q. It would be the yard limit?—A. Yes. In all the grand divisions of the company, we have one general superintendent to look after a certain radii from his headquarters.

By the Chairman:

Q. Do any members of the Committee wish to ask Mr. Lanigan any further questions? I think we should meet this afternoon at 3.30.

The Committee adjourned until 3.30 p.m., June 12.

The Committee resumed at 3.30 p.m.

The CHAIRMAN: Gentlemen, Mr. Hanna was to appear before the Committee before concluding; he is present, and may wish to make a statement himself. I will ask him to come forward now and make it.

Mr. HANNA: I have no statement to make, Mr. Chairman.

The CHAIRMAN: You said you had some general remarks to make. You are just here submitting yourself to examination?

Mr. HANNA: Or for exhibition.

Mr. D. B. HANNA, recalled.

By Hon. Mr. Stewart:

Q. If Mr. Hanna is not to make any statement, there is a question I would like to ask him. We heard a good deal this morning, Mr. Hanna, about the profits that might arise, the net results of operations upon different sections of a railway, and I think we might ask you for your judgment as to the possibility of segregating receipts and expenditures in such a way as to show the net operating results say, on a branch line. Take a carload of grain, for instance, loaded on a branch line and brought down to either Fort William, Montreal, St. John or any other point, where it would be delivered over. I only take a carload of grain as an example. Take a shipment of any commodity under conditions such as that, do the records of a railway provide such particulars as will enable you, for instance, in connection with the Canadian National Railways to give to the commodity the net results with reference to such a shipment?—A. Mr. Chairman, the operating expenses of a railway company, whether that railway company be located in Canada or the United States, has a basis for reporting its expenses that is common to all railways. It is known as the Interstate Commerce Commission, and our own bureau of statistics. All railways have what you might term five main headings under which expenses are distributed; first, we have the maintenance of way and structures; second, maintenance of equipment, which includes locomotives; third, traffic expenses; fourth, transportation expenses, and fifth, the general executive expenses, which includes all the miscellaneous items that cannot be distributed to those four main headings. Under these four main headings, there are subdivisions that run into anywhere from probably twenty to seventy-five different headings, therefore, in respect of a shipment that moves from the west to the east, whilst you can distribute the revenue of that shipment on a basis of straight mileage, when you come to charge the operating expense against it, you are up against a condition of things which makes it impossible to arrive at anything else but the merest kind of a guess. Of course, under maintenance of way and structures, you can get your exact figure on the various sections of the railway, there is no trouble about that, about transportation you can get the cost of your coal, the wages of the men, the wages of the men in charge of the train, the locomotive engineer, the firemen, the conductor, the trainmen and the station agents' expenses. But when you come down to the traffic, you have an organization that

[Mr. D. B. Hanna.]

represents the entire system. How can you distribute over the eastern section or the western section of a system the proper proportion of expenses? Again, you have the maintenance of equipment. How can you distribute properly and with any degree of accuracy the equipment of a railway company that is performing a service during one part of the year in one section of the country, with all this equipment or nearly so, and in another part of the system in another part of the year? We have repair shops away in the extreme east, we have them in the centre, we have them in the west, and these locomotive plants, repair plants or car plants are being used from time to time up to their capacity in making repairs. You cannot lay down any general principle as to how you will segregate the proper percentage of repairs, of equipment to the west or to the east. Now you come to the miscellaneous, or the general expenses. Before coming to that point, let me say that we have again our passenger car equipment, our dining cars, our sleeping cars, performing a national service; sometimes they are repaired in Winnipeg, sometimes in Moncton, sometimes in Quebec, and again at Transcona. When you take these elements into account, you can readily understand how difficult it would be to appropriate a proper percentage to the traffic which you can divide on a straight mileage basis if you please, as between the east and the west. When you come to the sleeping and the dining car expenses, such as the food that is purchased, the wages of the men that are paid for running those cars, and when you take the general expenses, including the main auditing offices that may be located at one place or another, and the other main officers who are located at the main offices, and attempt to apportion between the west and the east, you have a difficulty there that is anybody's guess as to the proper method to pursue. We have for our own purposes segregated the east from the west simply for the purposes of checking up our superintendents and our general superintendents. We endeavour to segregate as far as we can from our accounting office the actual expenses chargeable to the east or to the west, then as to those expenses we cannot determine, we take that amount and divide it on a straight revenue basis. If I was asked to set up a statement, and I had some notion of what the purpose of that statement was, with such material at hand, I could make that statement to suit myself. So that in asking for that information, it is not with any desire to refuse it, it is because of the difficulties that surround the reaching what you might consider even an approximate figure.

Q. Eliminating the question of passenger car traffic and dealing altogether with the question of freight, do the records of your company, or are the records of your system in such a state that it would be possible to give the relative results on freight traffic as between the eastern and the western lines?—A. I say we can give it from the standpoint of earnings, based upon mileage.

Q. But from the standpoint of profit or loss?—A. No, we could not do that. We could not possibly do it. While I am on my feet, I might deal with a question the Hon. Mr. Crerar raised about whether a branch line paid or not. There is no difficulty in arriving at the revenue, or the actual expense of hauling a train of any material coming in from or going to a branch line but the same condition exists there as to what percentage shall we determine as a charge against the branch line for overhead, which represents so many miscellaneous items. A branch line in itself—perhaps I am not saying any more than the the C.P.R. will be willing to concede—there are certain branch lines that in themselves do not make two ends meet, but they provide for the main line long haul business, which makes it profitable in that way.

Q. Mr. Hanna, I would like to ask you one other question. Early in the year, preparation is made for the movement of grain in the West, and a large amount of rolling stock, not only locomotive but cars particularly are necessary for the peak of your grain movement?—A. Yes.

Q. Now, as was established in the House a few weeks ago, a large amount is involved in the upkeep and repairs to cars necessary for the grain movement and there

[Mr. D. B. Hanna.]

is the preparation that is made yearly for the distribution of cars at key points in the West; how is that charge made, is it a charge against the western division, or is it a general charge that enters into the average cost of operations?—A. We do not attempt to segregate that at all. That goes into the common fund.

Q. And if, as was shown in the discussion in the House, large sums amounting to millions of dollars, are expended in the purchase and repair of cars for grain purposes down in Amherst, New Glasgow and Montreal, that enters into the general charge?—A. Yes, sir.

Q. Is it necessary for your system to maintain more equipment than would otherwise be necessary, in order to take care of the peak of your grain movement?—A. Yes; I would say that we could perhaps do with 15,000 less box cars, if we had an even tonnage.

Q. An even movement of freight?—A. Yes.

Q. And all that expenditure goes into the general cost?—A. Yes.

Q. And is not charged against any particular division of your line?—A. No, sir.

Q. I mean in the repairs and upkeep, including the purchase, too?—A. The purchase would of course be a capital charge.

Q. The purchase would be capital, the other would be income; the point I want to make clear is that all that enters into the general question and is not segregated, having regard to any particular division of your system?—A. That is right.

By Mr. Shaw:

Q. You have a recollection of what is known as the Pacific Coast case, in which the British Columbia shippers were complaining about rates on the C.P.R.?—A. Yes, I know of it in a general way.

Q. You know, as a matter of fact, that the C.P.R. produced all sorts of figures to show the cost of operation, the earnings and all that sort of thing, so far as their line in British Columbia was concerned?—A. Yes.

Q. And urged those figures as a basis for maintaining their so-called discrimination against British Columbia?—A. I do not know the extent to which that was urged, Mr. Shaw.

Q. I understand from your discussion here that they would not be able to produce any figures before the Railway Commission which would give an adequate or a proper idea of the cost of running, the upkeep and so on of the British Columbia section as compared with the other sections of the line, that is, to segregate one from the other?—A. My view would be just as I stated, that they could make a division predicated upon the viewpoint we have exercised ourselves, of dividing unascertainable expenses chargeable to a division on the basis of the gross earnings; whether that is a correct method or not I do not know; it is not a published statement. These divisions we make are made for our own information, for our own general superintendents, for our western general manager and our eastern general manager, so that they might know in a general way what they are charged with and what they have to try to modify.

Q. You do not produce those before the Railway Commission for their information, do you?—A. No, sir.

By Mr. Hudson:

Q. Mr. Hanna, when was the first line of what is now the Canadian Northern System constructed?—A. I turned the first wheel about the 15th December, 1896.

Q. That line, if I recollect correctly, extended from Gladstone up to somewhere north of Dauphin?—A. To a place called Sifton, about sixteen miles north of Dauphin.

Q. That was about a one hundred mile line, or something of that sort?—A. Yes.

Q. That railway was constructed under a charter granted by the Manitoba Government, was it not?—A. No, it was a Dominion charter.

Q. But it was constructed under an agreement with a local government under which they guaranteed the bonds and got control of the rates?—A. Not at that time,

[Mr. D. B. Hanna.]

the control of rates came later in connection with the guarantee to Fort William—the Winnipeg to Fort William line.

Q. That of course was a very cheap piece of construction. That railway was built through a fairly level prairie country?—A. As prices go to-day, yes.

Q. About how much a mile?—A. I could not tell you now, I am sure, it is so long ago.

Q. Ten thousand dollars?—A. At that time?

Q. Yes?—A. I could not tell you the figures.

Q. Senator Watson suggests \$7,000 a mile?—A. The Senator of course is of age, and can express an opinion. I would not be inclined to say the exact figures.

- *By Senator Watson:*

Q. They guaranteed \$7,000 a mile?—A. \$8,000; the line cost more than that. They guaranteed \$8,000 but the cost was more.

By Mr. Hudson:

Q. At any rate, it was a cheap piece of construction?—A. It was cheap construction. I am in accord with that, very cheap, in accordance with what it is to-day.

Q. And from that onwards the Lake Manitoba Railway & Canal Company continued to construct from time to time farther north and farther west?—A. It did under the name of the Canadian Northern. The Lake Manitoba Railway & Canal Company consisted of only 125 miles from Gladstone to Winnipegosis.

Q. You had another charter, the Winnipeg and Great Northern before it became the Canadian Northern?—A. Yes.

Q. And from time to time you extended all through the prairie country to the north of the C.P.R.?—A. Yes.

Q. And then you acquired the lines of the Northern Pacific & Manitoba Railway in Manitoba?—A. On the 1st June, 1901.

Q. And those lines were lines south of the C.P.R.?—A. As well as a short distance west to Beaver.

Q. Those lines were acquired by you at the value of \$7,000,000. How many miles of line were there?—A. You will remember they were acquired by the Provincial Government under a 999 years' lease, which the Canadian Northern took over.

Q. It was really all one transaction. It was turned over to you immediately?—A. Yes.

Q. How many miles?—A. 350 miles.

Q. Then you started to build eastwards from that towards Port Arthur?—A. Yes, under the name of the Manitoba & Southeastern Railway.

Q. And it was at that time you made this arrangement with the Manitoba Government by which rates were limited?—A. Yes.

Q. That was in 1901?—A. It started, of course, away back in 1898. We made the physical connection between the east and the west at a point east of Fort Frances on the 1st January, 1902. The line was built in two sections from Port Arthur west under the name of Ontario & Rainy River Railway, and east from Winnipeg under the name of Manitoba & Southeastern Railway. It was at that time that the deal was put through.

Q. That this limitation was put on?—A. Yes.

Q. Did that limitation of rates extend to the lines that you had built in the northern part of Manitoba?—A. Just the lines in Manitoba.

Q. And eastward?—A. And east to Port Arthur.

Q. Now, subsequently you got guarantees from the Dominion Government in respect of lines in Saskatchewan and Alberta?—A. Not Dominion; provincial guarantees.

Q. You did get some advance from the Dominion in the way either of loan or guarantee, and you had at that time an arrangement about rates. The agreements were put in here. I think the Chairman has them.

[Mr. D. B. Hanna.]

The CHAIRMAN: With the Manitoba Government?

Mr. HUDSON: No, the Dominion Government, in 1907 or 1908.

WITNESS: The Manitoba Government agreement was in 1901.

By Mr. Hudson:

Q. But the agreements with the Dominion Government were in 1907 or 1908.

Mr. HUDSON: You may remember, Mr. Chairman, that there were some agreements put in by Mr. Symington showing that rate schedules had been omitted.

WITNESS: That was in connection with the Manitoba agreement.

By Mr. Hudson:

Q. No, that is not the one. From Grand View to Edmonton?—A. Oh, yes; there was something of the kind, but I do not remember the detail of that at the moment. I would have to look up the agreement now.

Q. At any rate, the different lines of railway that have been built were consolidated under the name of the Canadian Northern Railway at what time?—A. I think about 1910 or 1911.

Q. Then from 1910 until 1914 you continued to operate those western lines, those prairie lines, to Port Arthur as a unit?—A. Yes.

Q. And during that time they were being operated at a profit?—A. Yes.

Q. That is, you were able to pay your fixed charges and operating expenses and have a little to the good?—A. Yes; and I think you may go further and say that for 17½ years the Canadian Northern Railway Company's operations in the West paid their way including all fixed charges from 1896 to 1913.

Q. In 1910 your gross earnings were \$13,000,000 odd, your working expenses \$9,000,000, your net earnings \$4,344,000, your fixed charges \$3,313,000, leaving a surplus of \$1,000,000. Those figures are correct, are they? I think I asked for this statement?—A. I have a statement here.

Q. What is that?—A. A copy of the statement we have.

Q. Let me see it. It is not complete?—A. Apparently not; that is the reason I am trying to see the figures.

Q. It shows the net earnings but not the fixed charges?—A. No; I understood that what you asked for was just what we have prepared, but there is no trouble about preparing the statement.

Q. At any rate, you are able to say that in every year from 1910 onwards, in fact, you say from 1896 onwards, you paid your way as you went along, and had a little surplus?—A. Yes.

Q. And that surplus from year to year went into the property?—A. It all went back into the property.

Q. The statement here is that interest was paid from surplus earnings on income charge convertible debenture stock from 1911 onwards, aggregating \$3,225,000?—A. Yes.

Q. And the statement I have shows there were surplus earnings aggregating \$6,676,000 in those five years, less interest in convertible debenture stock of \$3,000,000 showing a net total surplus of \$3,450,000. That was to the end of 1914, and that was while this section of the railway was being operated as a unit?—A. Yes.

Q. And there was no difficulty about segregating earnings from East and West or anything of that sort at that time?—A. No.

Q. Then in 1915 you consolidated with Eastern lines?—A. Yes.

Q. And the result of that consolidation was shown by your gross earnings increasing to \$25,912,000, your working expenses increasing to \$19,288,000, your net earnings then being \$6,623,000, and your fixed charges jumped up to \$8,268,000, which resulted in a deficit of \$1,640,000?—A. That just exactly comes to the point I raised. There we were dealing with an East and West proposition and simply had to take an arbitrary method of dividing expenses.

[Mr. D. B. Hanna.]

Q. And the result of taking that arbitrary method was—well, in this statement they are not segregated but the result of joining up the Eastern lines with the Western lines was to change a substantial surplus into a substantial deficit?—A. How far do you mean, in that statement?

Q. This is quite clear from what you have said, that so long as you operated those lines west of Port Arthur as a unit under one company you paid your way and showed a profit?—A. That is right.

Q. And immediately you joined them up with other lines you showed a substantial and increasing deficit until the present time?—A. And what is the inference?

Q. Never mind the inference. I am asking for the fact?—A. That may be so, and I will not deny it for a moment; but I would like to qualify it. Operating conditions had very substantially changed by that time. Costs were mounting when we got into the year 1915, the war period, and you can hardly compare such conditions of operation with the conditions that existed in the days when I was operating for 50 cents on the dollar, when we were paying \$1 a day for section labour and 15 cents to 18 cents for a tie, when our engineers were being paid \$85 to \$90 a month, the conductors about the same amount of money, and the brakemen about \$60 a month. I say those conditions are not comparable with the present day conditions.

Q. I am asking you for the fact?—A. I want to qualify it in such a way as to avoid the inference that we lost all ability to operate by the time we came East; that there was something that made it impossible to make two ends meet. The conditions began to go against us.

Q. But was not the main condition that you had a lot of unprofitable Eastern lines to carry?—A. I would not say they were unprofitable; they were making a little money. The Canadian Northern in Quebec did very well, and the Canadian Northern in Ontario only began in 1915 as a through line; before that it was only a local operating piece of property.

By Mr. Euler:

Q. Would you attribute the conversion of the surplus in the operation of your lines in the West to a deficit when you joined up with the East to the fact that the Eastern were joined up with the Western lines?—A. Yes, because at that time we had joined up the lines from Port Arthur to Sudbury.

Q. You think the deficit was the result of the joining up of the Eastern lines then?—A. Undoubtedly it was to that extent, because we had 400 miles of new territory that came in in 1915 and we were working on that for several years before that time to make the present connection between the East and the West and when it was completed we were into the war.

Q. If you had not joined up your Eastern and kept on with your Western system, do you think you would still be continuing having surpluses?—A. I don't think so; not under the present conditions.

Q. You don't attribute the deficit to the joining up of the Eastern lines entirely?—A. Not entirely.

By Mr. Hudson:

Q. Will you say to this Committee that you do not think the Prairie lines of the Canadian Northern could have been operated at a profit since 1914, if they had been a unit by themselves?—A. Absolutely so.

Q. You think it could not have been operated at a profit?—A. Yes; no question about it.

By Hon. Mr. Crerar:

Q. If you had not extended into British Columbia, or come east of Fort William?—A. Mr. Hudson asked regarding the Prairie Provinces. But in British Columbia additional mileage after many years of work was brought into the system

[Mr. D. B. Hanna.]

at the same time and that made it unprofitable, but if you ask me the question for the three Prairie Provinces, starting at Edmonton and finishing at Port Arthur, I say we could not have met our full fixed charges in the operation because of the abnormal condition we had to face in respect of wages and material. I am frank enough to say that our losses were substantially accentuated by taking in the British Columbia section in the West and the end from Port Arthur to Sudbury.

By Mr. Hudson:

Q. Would you not say that your Prairie lines between Edmonton and Port Arthur are the most profitable part of your system?—A. Yes, I would say that; quite willing to concede that.

By Hon. Mr. Stewart (Lanark):

Q. Would it have been possible for you to have operated your Prairie section without your Eastern connection without the completion of the Grand Trunk Pacific and the Transcontinental?—A. We could have operated as far as Port Arthur and feed into the Canadian Pacific at that point.

Q. Would that have made it more or less profitable?—A. It would have made it less profitable. It would have made it more profitable for the time being to have turned the business over to the C.P.R. if we had not got our own lines for the reason that the line being new and there being no immigration of any kind that we could feed into our own line.

Q. I think we might boil it down to this. Do you consider the construction of the Canadian Northern and its present operations east of Port Arthur and west of Alberta are an unnecessary burden and a handicap upon the system generally?—A. I don't think so.

By Mr. Michaud:

Q. It is necessary to bring the products of the Prairie to the seaboard?—A. Quite so.

By Mr. Hudson:

Q. The railways in the United States, like the Great Northern, end at the Lake front, don't they?—A. Duluth and Minneapolis, yes.

Q. And they were highly profitable lines?—A. Yes.

Q. And they had to transfer their eastern business to eastern connections either at Duluth or at Minneapolis and Chicago, as the case might be?—A. No doubt, quite a lot of it. They had a half interest in the Burlington railway to carry them to Chicago.

Q. They were a very successful railway corporation long before they had any connection with the Burlington, that is, any financial connection?—A. That is right, up to the time that the wages and the materials that we had to face increased; the prices of all these commodities increased. After that they were not as profitable. Besides, have you seen their miscellaneous earnings?

Q. I am referring to the days when the Great Northern was a pioneer railway, the same as the Canadian Northern, and it not only paid its way, but it paid very handsome returns; it created enormous fortunes for those who owned it.—A. I believe so.

Q. And it never got any opportunity of any more favourable railway operation than the Canadian northwest?—A. I cannot speak from the Great Northern standpoint. I have never been over their line, but generally speaking I would say yes.

[Mr. D. B. Hanna.]

By Hon. Mr. Manion:

Q. Would you say the section of your lines from Port Arthur to Sudbury, which would you say it was built more for, for the purpose of handling the freight of the West or the freight of the East?—A. If I might go back a little bit, the early purpose of the Canadian Northern Railway was, first to build in the West, to build small sections of lateral lines in the shape of branch lines and there was no intention or it was never thought of to build a transcontinental system until we had acquired in the Western Prairies feeders to what was then our trunk line. Then they began to acquire and did acquire lines in Ontario and in Quebec and in conjunction with the acquiring of these lines was developed—the idea was carried out of building a larger transcontinental line, so that when the transcontinental line was completed there would be feeders to bring in the traffic to the trunk road. That was the original plan of the Canadian Northern construction. Now I say for 17 years or so we carried that on.

By the Chairman:

Q. You were pretty mean with the road bed and traffic during 17 years?—A. We did not have as much equipment as we should have had, and therefore we fed into the C.P.R. more than we cared to give them; but it was a case of Hobson's choice.

By Mr. Hudson:

Q. You had to steal cars, sometimes, I suppose?—A. I could write a book on that too.

By the Chairman:

Q. You had a book-keeping surplus?—A. No, I don't call it a book-keeping surplus. It was a legitimate surplus.

By Mr. Hudson:

Q. I think I mentioned the gross earnings for 1915. The gross earnings for 1916 jumped to \$35,000,000, the working expenses to \$26,000,000 and the net earnings to \$9,373,000?—A. That is the whole national system?

Q. That is the whole national system?—A. Yes.

Q. In the statement submitted to the Railway Commission, unlike the C.P.R., you did not attempt to sever about 1914?—A. No. I have a great objection to supplying statements that I cannot fully explain and I don't think we should clutter up any record with a lot of statements that cannot be substantiated.

Q. Your fixed charges had jumped from \$5,776,000 in 1914 to \$9,628,000 in 1916 and that resulted in a deficit. 1916 was a particularly good year for business. That was when you took in that enormous 1915 crop?—A. Yes. The last page of the annual report shows we took in 516 miles in British Columbia and an additional mileage in Ontario between Sudbury and Port Arthur.

Q. Now have you got a statement showing what you charged up in respect of construction in 1916?—A. No, I have not got that here. I have not got any construction statement.

Q. I will read this. "The increase in the gross earnings ending June 3, 1916 was principally due to business in the Prairie Provinces. The grain inspection on the C.N.R. shows an enormous increase as follows".—A. What are you reading from?

Q. I am reading from a statement which was put before the Railway Commission. Your grain earnings would be very much larger in 1916 than in 1915?—A. Oh, yes.

Q. The year ending June 1916 would carry the big crop?—A. It then became December 31, 1916, and that practically carried all the crop. In the year 1915 it was a very good crop.

Q. I have a statement here showing the net operating loss on the lines East up to June 30, 1914. They aggregate on operations alone, \$1,124,134. Is that correct?—A. I don't know what—

Q. You have your statement there?—A. No. I have not got the fixed charges in this at all.

Q. This is operating and all the fixed charges of the C.N.R.—A. I have not got all those you are speaking of, but I suppose you got them from the record and I will assume they are correct.

Q. And there would be in addition to that fixed charges of a couple of million dollars?—A. Yes, sir, probably so.

Q. Now I believe the Canadian Northern lines are well situated in good territory in the West.—A. Yes, sir, that is so.

Q. And they have an opportunity of handling the best crop. Now I understand that in 1921 you handled more crop than the C.P.R.—A. With the Grand Trunk Pacific added.

Q. Apart from the Grand Trunk Pacific, or can you sever—I don't suppose you can now.—A. Not very well. Altogether we handled a little in excess of 50 per cent of the crop.

Q. What was the net operating loss on the Canadian Northern lines for 1921. I don't mean fixed charges, net operating loss?—A. Predicated on the same basis of distributing our net operating loss—predicated in the way on which we figure operating expenses, \$678,000.

Q. That is on the Canadian Northern?—A. Yes, west.

Q. Now what would the fixed charges be?—A. West of Port Arthur?

Q. No, I meant all the Canadian Northern lines?—A. That would include the line right through to Edmonton?

Q. It would include everything that formed the Canadian Northern System—British Columbia, Ontario, Quebec, Nova Scotia, New Brunswick and the Prairies?—A. The Canadian Northern fixed charges were \$11,703,000—I am leaving off the odd dollars, and the affiliated companies \$4,844,000.

Q. What are the affiliated companies?—A. They would be the Canadian Northern Alberta, the Canadian Northern Saskatchewan, the Canadian Northern Pacific, the Canadian Northern Quebec, and the Canadian Northern Ontario, all these lines we incorporate.

Q. What is the aggregate amount of your fixed charges?—A. The whole of the fixed charges, which includes interest on money advanced to the Dominion, is for the year \$30,819,000.

Q. \$30,000,000?—A. Yes. \$30,819,000. In that case, if you would not mind going back, I want to correct the figure I gave you of \$678,000. That figure should be \$6,378,000.

Q. That is the operating deficit?—A. Yes.

Q. What allocation have you made between East and West in respect of that, on the basis you spoke of before?—A. Do you mean as to the fixed charges?

Q. Yes?—A. We have it all here, but we have not picked it out at the moment.

Q. Have you the annual report?—A. It is just out; it has not been distributed, I have just one copy here.

Q. Would you mind letting me look at it for a minute or two?—A. Certainly; it is all in detail there.

Q. I inquired about this, but could not find it?—A. This is the first time in the history of the system that we have prepared a balance sheet that takes in first the Canadian National as a whole, the whole railway, and then sub-divided it as to the capital expenditures and charges and so on to the Government lines, the Grand Trunk Pacific and the Canadian Northern.

By Mr. Macdonald:

Q. Can you file that with the Chairman, Mr. Hanna, so that we may have access to it?—A. Yes. I would like to give you a supply; but as it has not been distributed I might be charged with extending preferential treatment.

Mr. MACDONALD: We will not let Mr. Hudson keep it all the time.

Mr. HUDSON: If somebody else wants to ask some questions, he might go on while I look at this report.

By Hon. Mr. Crerar:

Q. It is for the general year?—A. Yes.

By the Chairman:

Q. Mr. Hanna, when you gave an estimate of the probable loss that would accrue from the coming into force of the Crowsnest pass agreement, you predicated that upon the business of 1921, plus the restoration of freight rates in force in 1920, that is, the present freight rate would go back?—A. Go back to 1918.

Q. You went back very far, don't you think; is it not probable that the Railway Board would at once establish a rate?—A. We are hopeful that they will do that; we could not get away from that; at least we could not get away from that limit.

Q. If they did not go back to the 1918 rates, the estimated losses might be less?—A. Yes.

Q. Which do you think is the better way to cut rates? Horizontally, or vertically; we are trying it vertically, according to your suggestion?—A. The scientific way would be to cut the rate on basic commodities first.

Q. You approve of that?—A. Quite. If there is any virtue in the statement that has been made from time to time, that the heavy basic materials are not being moved because of the high rates, and inasmuch as those materials are distributed dominion-wide, surely it would be the proper thing to distribute what the railways ought to be expected to distribute over the whole of the Dominion rather than in a favoured class.

Q. You think we should try it, anyway?—A. My own view of it would be this; let us see if we cannot agree upon a reduction, as we have discussed before, of a number of basic commodities; let us try it out in the meantime, suspending the Crowsnest pass agreement for one, two or three years.

Q. And if the reduction had a good effect, an apparent good effect, you in conference with the Railway Board might add from time to time to your basic list other classes of commodities?—A. Other commodities—it is a mistaken opinion, Mr. Chairman.

Q. You were just as anxious to get back to normal conditions?—A. Yes. The idea that we were anxious to increase rates is entirely a mistaken one. It is a most unhappy time for us when we have to raise rates. We would rather see the rates go down; it would be a great deal more pleasant for us in our daily work.

Q. You have lots of worries?—A. Yes. We have given this matter a great deal of study.

By Mr. Hudson:

Q. Are you prepared to reduce the grain rates to the Crowsnest scale?—A. No, I would not say that, Mr. Hudson, but I would be prepared to consider a fairly good reduction, I would be prepared to consider as we have already stated, in other basic commodities a fairly good reduction. But do not let us get away from the fact that when we read that the wages are going down the costs of material are going down, that even if it were as it is stated, the disparity between the increased cost of materials and the increases we got in rates has always been a very wide one. If that were not so, based upon the tonnage that the old Canadian Northern handled, based upon the

tonnage and the cost of the materials they had in the old days, we would have made a substantial profit; but if materials are coming down and wages are coming down some, let us move freight rates down proportionately, and give us some time to meet the situation.

By the Chairman:

Q. You want to feel your way along?—A. Quite so.

By Mr. Hudson:

Q. What quantity of grain is moved east of Port Arthur on your railway, proportionate to the total?

Mr. HAYES: Last year there was about 14,000,000 bushels.

Q. Out of a total of how much, the total grain handled?—A. To the head of the Lakes?

Q. No, the total handling of the Canadian Northern?

Hon. Mr. CRERAR: That is the percentage?

Mr. HANNA: The percentage of the total we handled?

Mr. HUDSON: How much comes east as compared with what goes forward by boat?

Mr. HAYES: I would say roughly about 10 per cent.

By Mr. Hudson:

Q. Where does your all-rail grain go to, Mr. Hanna?—A. Some to St. John, some to Halifax.

Q. Is there any all-rail movement to Montreal, on your line?—A. To some extent, yes.

Mr. HAYES: Not for export. The all-rail would move into Ontario and Quebec, for domestic consumption.

Mr. HUDSON: For domestic use, the millers?

Mr. HAYES: For millers' use.

The CHAIRMAN: Do you know how much wheat is ground into flour in Canada—I was a little interested in that?

Mr. HAYES: No, I have not the figures for that.

The CHAIRMAN: Hon. Mr. Crerar would know better than anybody else.

Mr. HANNA: If you will look at the exhibit, you will see the number of sacks of flour that were moved by the Canadian National, and that amount multiplied by two and a half bushels to the bag will give it to you.

By Mr. Shaw:

Q. Mr. Hanna, you were speaking of the question of labour costs?—A. Yes.

Q. I understand a large number of the employees belong to labour unions of various kinds, and that you have to negotiate with their officials?—A. Yes.

Q. With regard to the executive staff of your railway, are they organized in the same manner?—A. Not above our clerical force. Do you refer to our superintendents?

Q. Yes.—A. Not our superintendents.

Q. Trackmasters and men of that kind are not organized?—A. Not as a rule, but if they come up through the Maintenance of Way force, they will still have their union cards.

Q. Has any step been taken to reduce the pay of what I call the executive staff. You will understand what I mean by the term?—A. Well, they were not moved; they did not come under the McAdoo award.

Q. They have not had any increases?—A. Some during the war period, and they have not been changed since.

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Q. What increases have they had?—A. From 10 to 25 per cent.

Q. Has any step been taken by your company to reduce the wages of those executive officers?—A. Not yet.

Q. Has no effort been made?—A. No, and the reason is that there is still the Grand Trunk to come into the Canadian National System. When that is definitely fixed there will have to be a number of moves made in the official family, and maybe some will have to be retired entirely, so it was not felt desirable that whilst the Grand Trunk was still out of the System, but was expected to come into the National System, there should be any disturbance of such officers.

Q. So that you contemplate upon the reorganization of this System a reduction along that line, not only in the number of the staff but in the wages paid?—A. The whole matter will of course be fully considered.

By Mr. Hudson:

Q. Mr. Hanna, it has been stated that the costs of operation in western Canada are lower than in eastern Canada; why is that. Is it because of the character of the traffic, the long hauls?—A. The costs in the west greater than in the east?

Q. Less than they are in the East?—A. Well, I do not know that they are.

Q. The C.P.R. statements would indicate that your statements are not segregated, so I cannot say. As a matter of fact, when you are hauling a commodity like grain, where the cars are loaded and hauled for long distances, averaging probably 500 miles, and then unloaded by machinery, that is a very cheap operation?—A. It is a very cheap operation.

Q. The cheapest kind of operation?—A. Yes.

Q. For instance, I understand that the Lackawana Railway, which handles coal mostly, is the most profitable railway in America, just because of the character of the commodity. In like manner grain piled into cars, hauled a certain distance, then unloaded by machinery, and the cars are then run back cheaply?—A. Yes.

Q. That is a very important factor in the cost of operation?—A. I think it would be safer to say this, or put it in this way: the ideal situation in the West for a railway operation would be the continual movement of grain all the year around.

Q. You would then make huge profits?—A. We would make some profit, I hope. I would like to be in the class that made huge profits.

Q. You do not know what it means?—A. I do not know what it means, in my experience.

Q. But the grain business is a profitable business?—A. It is a profitable business; there is no doubt about that.

By Mr. Macdonald:

Q. I see your statement shows that 16.89 per cent of your total traffic was wheat, and 19.76 was the percentage of coal and coke carried?—A. Yes.

Q. Logs and lumber amounted to 14.13 per cent?—A. Yes.

Q. Of the total traffic?—A. Yes.

Q. What would you class as the basic commodities, on which you contemplate a decrease?—A. We had them enumerated; if I had the list I could probably give it to you again.

By the Chairman:

Q. Is Mr. Lanigan a sufficiently safe man to follow?—A. Yes, certainly.

By Mr. Macdonald:

Q.* The same list as proposed by the C.P.R.?—A. Quite so.

By the Chairman:

Q. That is not definite?—A. No. That is what we have been discussing.

[Mr. D. B. Hanna.]

By Hon. Mr. Stewart:

Q. Before getting away entirely from the point dealt with by Mr. Hudson, the evidence before the Committee is that water competition in the East and the competition of the lines in the United States in the East, particularly between Buffalo and the sea, made it necessary for the Railway Commission to fix freight rates in the East which would be lower than they otherwise might be?—A. Yes.

Q. And that the profits from what it has been urged was a very profitable operation in the three prairie provinces have gone to make up for unprofitable operations in Eastern Canada?—A. Yes.

Q. Would you care to express an opinion on that point, having regard not to wheat or grain particularly, but with reference to the whole result of your National System?—A. Well, I would say this, that when you said that the West has been penalized by the lower rates in the East, that that is not a correct statement. I think if the lower rates obtained in the East to the extent of the business that is sent West, and to the extent of the business that comes from the West, to go farther east of Port Arthur, that surely the West gets its share of it. How could we move grain, say, from Port Arthur to St. John or Halifax at the rates we are moving it for to-day, if it were not for part of the through rate from the primary market, so that indirectly the West must be getting the benefit of the lower rate for the freight that is moving in the East, in that direction. I think that is a logical view to take of it.

By Mr. Hudson:

Q. You speak of the lower rates on grain going east. If the grain did not go by your line, it would go by somebody else's line, would it not?—A. It would go at the same rate.

Q. It would go at the eastern rate?—A. Yes.

Q. And it might go on somebody else's railway at that rate?—A. You mean that it might go by way of the United States?

Q. Yes.—A. Yes, if we are willing to concede that position.

Q. In that way you are not giving the West any preferences or advantage by shipping at low rates in the East; you are merely doing that because you are doing it for other people, in order to compete with other railways or other transportation companies?—A. All that may be true, Mr. Hudson but in the last analysis surely the country as a whole is getting the advantage of it; surely it must be.

Q. You do not mean that you are not hauling western products eastward at a profit?—A. I don't think there is much profit in it.

Q. There is some profit, though?—A. I hope there is. Unfortunately I have been working so long in red figures that I see "red" sometimes.

By Hon. Mr. Stewart:

Q. One more question, Mr. Hanna. The matter of the salaries of the executive and operating officers have been raised?—A. Yes.

Q. Would any reasonable reduction in those salaries operate as a factor at all in the general expenses of the road, to the extent of affecting freight rates?—A. The executive officials' salary, the whole total of what they get, would not represent one per cent of the operating expenses.

Q. Not one per cent?—A. Yes.

Q. The whole total all over the system?—A. Yes.

Q. Then the question of any reasonable reduction that might be made in these salaries in order to make them come down in wages would be no factor at all? Do I understand that to be your statement?—A. The position we found ourselves in, as no doubt the Canadian Pacific Railway did, was that with the McAdoo award (which, when it came out, was thought to be a finished book, but which proved to be a serial novel as it was followed by about twenty-seven supplements and then later the Chicago Labour Award), the conductor was earning more than the trainmaster or the

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superintendent, and the engineer was earning one-half times as much as we were paying the master mechanic, and the brakeman was earning more than the roadmaster. All these things had to be adjusted. You could not have a superior officer drawing less money than the men he was directing. I do not say that what we did pay was out of the way. At all events, what we did pay was no more than the Canadian Pacific or the Grand Trunk or any of the American roads paid. That is our position to-day. I am not questioning the wages that have been paid, or anything of that kind, but just stating the facts as we found them, and we had to meet the situation, because you cannot expect to get good service and loyalty and efficiency from men in charge of divisions and other work when they find they are being paid less than the men they are directing.

Q. Did the salaries of the executive and operating officers increase in the same ratio as the wages of the men?—A. Not at all.

By Mr. Hudson:

Q. Have the recent wage reductions in the United States been followed by reductions here?—A. So far, yes.

Q. How much has that amounted to so far?—A. Well, we have only had one definite reduction in wages, which applied last July; that was assumed to be a 12½ per cent reduction. That, however, figured out in the summarizing of our payroll at a little over 10 per cent.

Q. On a total wage bill of how much?—A. Our wage bill runs about \$80,000,000.

By the Chairman:

Q. \$82,000,000?—A. \$82,000,000 to \$83,000,000. But since that award there have been some modifications made in the working conditions in the Maintenance of Way Department, and a further award in respect to the rates of pay of some other department.

By Mr. Hudson:

Q. There have been two reductions in the United States since this Committee has started its inquiry?—A. The approximate amount of the two reductions is \$106,000,000. The United States payroll runs about \$3,100,000,000, so that you can see there is a very small percentage.

The CHAIRMAN: Your payroll is \$88,700,000.

By Mr. Hudson:

Q. That would be a reduction of about \$8,000,000?—A. It would affect us, according to our figuring, to the extent of about \$1,500,000.

Q. But last year's reduction?—A. Between \$8,000,000 and \$9,000,000.

By the Chairman:

Q. This is merely your total wages for 1921?—A. That is based upon what was the payroll.

By Mr. Hudson:

Q. When did that reduction take effect?—A. July, 15, 1921.

Q. And would the 10 per cent just apply from that time?—A. It applied from that time, yes.

Q. You anticipate further substantial reductions in wages during the next month or two?—A. We are hopeful that there will be, but until we get them we cannot say.

Q. Immediately following the wage reduction last year your railway as well as the C.P.R. resisted the corresponding reduction in wages?—A. Yes.

Q. And that reduction in rates was not made effective until after the grain crop had been moved?—A. That is right. You should not forget, however, that every time there was an increase in wages made under the various supplements to the McAdoo

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Award and the Chicago Labour Award, they were made retroactive. In 1920 it cost the Canadian National Railway over \$6,000,000 in the shape of bonuses.

Q. But that was taken into consideration when the rate raise was made?—A. Oh, no.

Q. Yes, it was?—A. We got an increase of 5 per cent for one month or two months.

Mr. HAYES: Five points.

WITNESS: Yes, five points for three and a half months for five months' back pay.

By the Chairman:

Q. You laid off over 3,000 hands last year?—A. More than that; at one time we laid off nearly 10,000. We were in this position, Mr. Chairman, that in 1919 and 1920 there had come into our administration lines of railway on which there was very little traffic moving, representing 35 per cent of the total mileage we are operating to-day, 35 per cent of new mileage, and that new mileage was in a run-down condition to some extent. We had to do one of two things, either to let it alternate and become impossible to operate at all, or spend money to bring it up to standard. We spent the money. It was an awful time. For every dollar we were earning we were spending \$1.35. It was a most distressing time for our officers and myself. Everything was at the peak price. Labour was high and materials were high, and labour was inefficient. Yet we had to do the work, had to keep the trains moving and renew bridges and put in water stations, buildings, and a thousand and one things that cost an enormous amount of money. All that is completed. We have picked up all the deferred maintenance of the National system. The experience of 1921 proves there was justification for it, because no heavy expenditure was incurred without first making an economic study as to whether the money should be spent or not; but having made that economic study and having spent the money, we are beginning to realize the advantages of that expenditure. What happened in 1921? We reduced our operating expenses over 1920 by \$20,750,000.

By Hon. Mr. Crerar:

Q. And did you handle about the same volume of traffic or less?—A. About the same amount of business; we were in the unique position of being the only large railway that showed an increase in gross earnings of about \$1,000,000.

By the Chairman:

Q. Are you going to be able to take proper care of your maintenance this year?—A. Down to the end of May this year, although we are doing less than last year up to that point, we have reduced the operating expenses by \$12,000,000.

By Mr. Hanson:

Q. In three months?—A. Five months; but we have lost nearly \$7,000,000 in gross earnings. In the net operating we are in this position that as of the end of May our operating expenses will be \$5,000,000 less than they were for the same five months of 1921. The point I am trying to stress is that whilst these heavy expenditures were made during those two years, when all is said and done, it does not begin to represent more than a small percentage of what it would have meant if those lines had been allowed to go by the Board. In other words, you have an investment of \$1,250,000,000, and the depreciation on that property at 5 per cent would have been twice the amount we spent on revamping the property. To-day you have a road that is in a high physical condition.

By Mr. Hudson:

Q. In the best possible condition to make money?—A. The National System to-day is now ready to do a tremendously larger business than has been done.

[Mr. D. B. Hanna.]

Q. What are the prospects of the Canadian National Railway?—A. If you could tell me when normal times will arrive I could tell you when the red figures will decrease.

By the Chairman:

Q. The red figures represent the losses?—A. Yes.

The CHAIRMAN: Mr. Forke, I was told that the average charge for threshing wheat last year was about 17 cents a bushel. Is that about right?

Mr. FORKE: In Northern Saskatchewan, yes. It would be less down in Portage La Prairie.

The CHAIRMAN: How much less?

Mr. FORKE: Down to about 12 cents.

The CHAIRMAN: What do you expect it to be this year?

Mr. FORKE: I could not make a guess about that at the present time.

Mr. SHAW: It depends entirely upon wages.

By Mr. Hudson:

Q. I was going to ask about these red figures, and about the future prospects. I would like to have your idea about that as far as you can give it. I do not want you to guess too much, but I would like to know in a general way what you think the prospects of the railway are?—A. The first four months of this year we showed a decided loss in our gross earnings. We dropped 1,600,000 tons in the movement. The month of May improved quite a bit. There is a little daylight. We see business improving a little. If by the middle of July the crop conditions in the West indicate a fair return, it is our opinion that there will be a better movement of things like lumber and building materials.

Q. You think the crop prospects will have a direct effect upon your prospects?—A. I think so.

Q. In what way?—A. The purchasing power of the farmer will have improved.

Q. You will have grain to move and the farmer will have money with which he will buy commodities?—A. Yes, and we will get the westbound movement.

Q. Those two factors are the largest factors in the future prospects of the railway?—A. Yes.

By Mr. Macdonald:

Q. I wanted to get the exact list of basic products. On page 55 of the evidence Mr. Beatty is reported to have said, in answer to a question as to what he regarded as basic commodities on which a reduction of rates generally throughout the country might be made:—

“A. Of course that was only tentatively discussed between ourselves and the National Railways and the other railways, Mr. Macdonald, but we did think that we would start with grain, grain products, forest products, coal, building material, brick, cement, lime, plaster, potatoes, fertilizers, ores, wire rods and scrap iron.

“Q. Lumber, I suppose?—A. Lumber, yes.”

I do not see livestock mentioned. Do you regard livestock as a basic commodity?—A. Livestock has already been dealt with.

Q. I received a resolution by this morning's mail from a farmers' association in the Maritime Provinces asking us to reduce rates on livestock. Can you tell us what has been done about that?—A. Yes. Mr. Hayes, can you give the figures?

Mr. McDONALD: I understand Mr. Hanna says it is not necessary to include livestock because the rates on livestock have been reduced.

[Mr. D. B. Hanna.]

Mr. HAYES: They were reduced in August, 1921, to the 1918 basis.

Mr. MACDONALD: I have a resolution passed at Moncton by a farmers' association asking for a further reduction. What has actually taken place?

Mr. HAYES: A reduction of 26 per cent was made.

Mr. HUDSON: It is down to the Crowsnest scale already.

Mr. HAYES: The entire increase was taken off in August, 1921, and the rates restored on livestock to the August, 1918, basis.

Hon. Mr. STEWART (Lanark): Would that include horses?

Mr. HAYES: No.

Hon. Mr. STEWART: Why?

Mr. HAYES: The horse movement is not a very material movement.

Hon. Mr. STEWART: It would not come under livestock?

Mr. HAYES: We did not so consider in readjusting the rates.

By Hon. Mr. Stewart (Lanark):

Q. You say it is not a very important movement?

Mr. HAYES: It is not a very heavy movement.

By Hon. Mr. Stewart (Lanark):

Q. It is an important movement for those who move them, even for the man who moves them, according to the limit of his own requirements. It is just as important to him as any other class of livestock?—A. That might be so.

Q. Why should not they be included?—A. If there was any such urgent necessity in connection with the movement of horses as there was a year ago, to relieve the distress of the farmers in the West to move their hogs and ship their cattle to market—

Q. Do you see any objection to moving them?—A. I don't know.

Q. Is there any reason for excluding them outside of what I judge from your answer and that is that the total movement did not appear to be large enough to warrant including them?—A. It was not felt that the farmer or the shipper of horses was subject to any such distress with respect to marketing his horses as the farmers in the marketing of their hogs, sheep and lambs.

Q. Were they not in a different position with reference to the shipments generally?—A. We heard nothing of the shipping of horses.

Q. You heard nothing about the condition generally?—A. Not with respect to the shipment of horses. You are talking about horses.

Q. As a factor in many instances tending to the general result.—A. But we heard nothing at that time, Mr. Stewart, when we made these concessions on the rates on cattle.

Q. Can you give the Committee any reason now why horses should not be included in the live stock provision for reduced rates?—A. We might take the matter under consideration but I would say we have had no particular complaint with respect to the rate on horses or no specific application for a reduction of rates on horses.

Q. Your proposed list of commodities includes many other items, I presume, in connection with which you have had no complaint?

Mr. MACDONALD: Everybody has been complaining.

Hon. Mr. STEWART (Lanark): They have been complaining about rates generally and it appears to me strange that horses should be excluded.

Mr. HAYES: There was no particular complaint about the horse movement.

An hon. MEMBER: Perhaps nobody had any to sell. Race horses appear to be the only kind of horses that are moving.

Hon. Mr. STEWART (Lanark): Some of them do not move fast enough.

[Mr. D. B. Hanna.]

Mr. MACDONALD: We have never had, Mr. Chairman, any definite statement about this question of what the railways propose to do in regard to that question of basic commodities, with the exception of what Mr. Beatty said and I think he said it had only been tentatively discussed. I think we should find out where we are on this matter. Mr. Hayes says there was a reduction in August last year of 26 per cent on live stock. It did not include horses, it brought the rates back to what they were in 1918?

WITNESS: Yes.

By Mr. Macdonald:

Q. What other special commodities were reduced later on?

Mr. HAYES: None others except live stock. There were some others maybe a little later, on meats and wool from the West to Eastern Canada, but live stock was the commodity that was taken up for special consideration by the railways by reason of the distress. It was represented to the railways that the feed conditions were bad both east and west. We made certain reductions in the provinces of Nova Scotia, New Brunswick and Prince Edward Island during the winter.

Q. Also for seed this spring?

Mr. HAYES: Yes.

Q. Would you tell us whether you propose to add to your list in any way that has been made up by Mr. Beatty. You will find Mr. Beatty's statement on page 55.

Mr. HANNA: I will read you what we have set up: grain, grain products, coal, coke, lumber, forest products; forest products means—lumber means shingles and other forest products; means pulpwood.

By Mr. Macdonald:

Q. Does it mean pulp?—A. No, it just means pulpwood. Building materials represented by cement, brick, lime and plaster; potatoes.

By Mr. Hanson:

Q. Fertilizer.—A. Ores, pig iron, scrap iron, billets, blooms, ingots, rails, wire rods, fertilizer. That is the list.

By Mr. Macdonald:

Q. What about fruit? Anything about fruit?—A. There was no intention to go beyond this as far as we have discussed the matter and we felt that if we could reach a basis predicated upon this list, that if there is any stimulating effect in the reduction of rates that we would make the reduction of rates.

Q. In other words your position about this is, to turn to the proposition, the theory that the Crowsnest should remain as it is, that you say you were prepared to submit to the Railway Commission this proposition that the rates should be reduced on those commodities?—A. Yes, sir, predicated on the suspension of the Crowsnest for one, two or three years.

Q. As an alternative to that?—A. Yes.

Q. It would be up to the Commission to decide whether the reductions were to be confined to those particular items you have suggested or not?—A. Yes, but we would hope to feel the door would not be widened, because we have set up our figures showing the losses.

Q. What is the percentage of the decrease that you purpose making in these different commodities that you suggest might be made?—A. We had not, as a matter of fact, reached a definite view on that.

A. As to what that percentage would be?—A. As to grain we would not be disposed to go all the way of the Crowsnest, but as a point of getting somewhat near it, so far as grain and grain products are concerned.

[Mr. D. B. Hanna.]

By Mr. Hanson:

Q. Would you suggest you go back to the 1918 rates on that basis?—A. That is what I might say, go back to the 1918 rates.

By Mr. Macdonald:

Q. What about the other commodities?—A. As to the other commodities we would go back to the 1918 rate.

Q. These were increased 40 and 15 per cent?—A. 25 and 40 per cent.

By the Chairman:

Q. There was the 15 per cent first, then the 25, then the 40. Now, let us wipe out the 40 per cent and go back to the 20 per cent or 25 per cent.—A. That is misleading, to talk about the 15 per cent and 25 per cent.

The CHAIRMAN: We are just fixing time rather than figures, to go back to the rate in the summer of 1920.

By Hon. Mr. Manion:

Q. When the 40 per cent increase was made? (No answer).

By Mr. Macdonald:

Q. Have you worked out the percentage of the decrease as regards those commodities?

Mr. HAYES: It would drop to the August 1918 rate. It would mean a decrease of substantially 20 per cent from the present rates which were originally 40 per cent higher than the 1918 rates.

By the Chairman:

Q. Have you tried to figure out what reduction that would mean to your road in revenue on the 1921 movement?—A. Yes. We set up the statement in Volume No. 2.

Mr. WATSON: I think it is clearly set out on page 432, where I made the statement. That statement wiped out the balance of the 40 per cent. It is stated very clearly there.—A. No. 3, I think is it not?

By Mr. Macdonald:

Q. Has there been any reduction, Mr. Hayes, made in any other commodities than live stock? I am speaking of special commodities, since the reduction that went into force as the result of the decision given?—A. Live stock was picked out for special treatment. We have made some reduced rates where the circumstances seemed to justify.

Q. Do you believe in the principle, where you find an industry is lacking on account of the fact that rates are so high that they cannot be transported in competition with outside industries that the rates should be lowered in order to preserve the industry that is being built up along your line?—A. Within reason we have to take various factors into consideration before you can reach a definite conclusion as to whether the industry is being stifled by the freight rate. There may be other conditions that tend to stifle it as well as freight rates.

By Hon. Mr. Stewart (Lanark):

Q. There has been a substantial decrease in the freight on lumber, has there not?

Mr. HAYES: Only the reductions by the percentages.

Q. There have been no special reductions?

Mr. HAYES: There have been no special reductions similar to the reduction made on live stock.

By Mr. Hudson:

Q. The reduction on lumber was a reduction on lumber passing from British Columbia to Eastern Canada.—A. There was not a full percentage of reduction.

[Mr. D. B. Hanna.]

Q. That did not touch rates to Western Canada at all from British Columbia to Western Canada, to points on the Prairie Provinces, it did not touch them at all? It was a reduction made for the benefit of the lumbermen and not for any other reason at all?—A. That was the idea and to keep the American lumber out of Eastern Canada as far as possible.

By Hon. Mr. Manion:

Q. Potatoes are a farm product. Does that exclude cabbages or other vegetables?—A. I think we would put those other commodities in with potatoes.

Q. Those other commodities of the farm should be included with potatoes?—A. I would think so.

By Hon. Mr. Stewart (Lanark):

Q. Before leaving the question of live stock, I would ask if the railways did consider the question of horses. There was a man here the other day engaged in a shipment of horses from British Columbia to New Brunswick, and he complained very bitterly against the high rate on horses and felt very strongly that consideration should be given to the horse movement as well as to the selected list of live stock.—A. That would be a rather unusual movement, for horses to move from Alberta to New Brunswick.

Q. He had been down with two carloads according to his own statement.—A. I could deal with many complaints of a similar nature where there is an isolated movement. The man thinks the rates are high and he would be benefited by a reduction.

Q. The shipping of horses from Ontario to New Brunswick is a very common transaction.

By Mr. Macdonald:

Q. Live stock includes cattle, sheep and hogs. What about the grain products? Does it include barley, grain and flour?—A. Yes, mill feed.

Q. Flour and hay and straw, would that be a subject of reduction in the basic commodities?—A. We had not included hay and straw in the list of basic commodities.

By Hon. Mr. Stewart (Lanark):

Q. Why should not hay be included as well as vegetables? There is a large hay movement?—A. We must consider how much revenue we are going to have left after the whittling off.

By Mr. Macdonald:

Q. They exclude pulp wood and paper; they exclude wood pulp and paper.—A. Don't forget Mr. Macdonald, there are a number of questions before the Railway Commission now. We don't know what is going to be the decision in regard to this British Columbia matter, nor we don't know what is going to happen with regard to the Maritime question of lumber.

Q. Now in regard to fruit, fruit is the product of a farm; it is the basis of a large industry throughout the country, in the production of fruit products of various kind, preserves and that sort of thing. You have not included fruit?—A. No.

Q. Is there any particular argument against that outside of the general question of restricting the list somewhat?—A. We have to have some general regard to the volume, the value of those commodities, and also some regard to the amount of revenue we will have left when we get through.

By the Chairman:

Q. You don't mean to put all natural products in if you can help it?—A. It would be quite a burden to-day under the present operating conditions.

[Mr. D. B. Hanna.]

By Hon. Mr. Creer:

Q. Taking the basic commodities and putting the rate back to the 1918 rate, what loss in revenue would that mean to the railway?—A. To us, about \$9,000,000.

Q. That is compared with the \$10,000,000 to the Grand Trunk if the Crowsnest agreement goes into effect again?—A. Based on the articles Mr. Macdonald has referred to, we estimate a loss in 1921 figures of about \$9,000,000.

By Hon. Mr. Mitchell:

Q. Does that include the Grand Trunk Pacific?—A. Yes.

By Hon. Mr. Manion:

Q. Mr. Hayes said a reduction of probably 20 per cent. There were two decreases, one in January, 1921, and December, 1921. Was he including those in the 20 per cent, or is that in addition to the present decrease.

Mr. HAYES: That is in addition to the present decrease. That is a reduction of 5 points in January, 1921, and 10 points in December, 1921. That brings us down to the 25 per cent rates of August, 1918. If we reduced to those rates, it is 100 per cent or 20 per cent of the existing rates.

Q. You are talking of the original 40 per cent?—A. Yes.

By Hon. Mr. Mitchell:

Q. You say the reduction is allowed for pulp wood but not on pulp?—A. Yes.

Q. Would not that encourage the shipment of pulp wood out of the country instead of encouraging its manufacture in the country?—A. Mr. Mitchell, we are dealing at the present only with rates within Canada.

Q. So that reduction would not apply to pulp wood shipped out of Canada?—A. On the first of July we will have to put in a reduction of 10 per cent on wood pulp and paper to the United States as a result of the orders issued to the American railways.

By Hon. Mr. Manion:

Q. How about lime just now, in line with Mr. Mitchell's request. It is used in the manufacture of pulp and paper and so forth?—A. Yes. They are not getting the benefit to say we would not undertake to make a distinction between lime for building purposes and lime for pulp.

By Mr. Macdonald:

Q. I have a case where the local rates have been raised on coal about 300 per cent in the last three years. I would like to know whether this reduction on coal is going to be 10 per cent?—A. I don't think you could point to any case of coal that has been raised 300 per cent.

Q. The railway carried coal from Stellarton. It went up from 25 cents a ton to 75 cents.

Mr. HAYES: That is not a very heavy toll.

Q. That is 300 per cent. It is greater than anything the Railway Commission ever agreed to.

Hon. Mr. STEWART (Lanark): It might have been too low in the first instance, rather than too high in the final analysis.

By Mr. Hudson:

Q. Mr. Hanna, your estimate of the loss if the Crowsnest pass agreement came into effect was what?—A. Of the Crowsnest agreement?

Q. Yes, according to the evidence you gave in the first place?—A. The loss in the West would be \$10,000,000.

Q. How much of that would be on grain?—A. \$4,800,000. I think it ought to be made clear, Mr. Hudson, that in the statement I submitted when I was here before,

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I based our losses on the Crowsnest pass rates and on the other commodities, plus a loss on all other commodities and all other business by the throwing back of all of the rates to 1918.

Q. Yes?—A. Well now in the figures that we are giving you now, we are assuming that if we make a reduction on the basic commodities enumerated, as we have enumerated them, and all other rates remain as they are to-day, our loss will be in the aggregate \$10,240,000.

Q. Coming back to your original estimate of the loss in the event of the Crowsnest pass agreement coming into effect, what proportion of that loss would be attributable to the loss on grain?—A. At that time we figured it at \$8,606,000. It is all on page 70.

Q. \$8,000,000 did you say?—A. 8,606,000; that is a deduction from the rate now in effect. It is based upon the 1921 figures.

Q. Assuming that you had the same quantity of grain to move, from the same districts, and assuming that you paid the same wages that you paid in 1921?—A. This has nothing to do with wages.

Q. You must have assumed that to some extent?—A. That is another question. We have reduced our estimate of expense by \$14,000,000—\$14,000,000 less than in 1921.

Q. You took that into account in arriving at \$8,000,000?—A. No; our total loss as we figured it was twenty-three million dollars and odd, and we expect to reduce our operating expenses by \$14,000,000, leaving a net loss of \$10,000,000 to add to the \$16,000,000 we had last year, in other words we would have a loss of \$26,000,000. The new figure we are discussing means that we would suggest a certain reduction on basic commodities as enumerated by Mr. Macdonald, that all other rates would remain as they are to-day, and that loss to us would be \$10,000,000; so that we would be able to pick up all that loss by a reduction in our expenses, and we would be no worse off than we were in 1921.

Q. Let us go back a little. Your calculation in regard to the loss in the event of the Crowsnest pass agreement coming into force was \$8,606,000 on grain?—A. Yes.

Q. How much was it on other commodities?—A. Coal and coke, \$484,000, lumber, \$1,728,000. Other building material such as brick, lime and plaster, \$429,000, potatoes, \$125,000, various basic commodities such as ore, pig iron, billets and so on, \$122,000. Then we estimated if all the other rates went back to 1918 we would have made a loss of \$11,822,000.

Q. What did you figure as included in that \$11,822,000, everything you carried in the way of freight?—A. The balance of our business.

Q. Did you attempt to segregate what your loss would be in respect of the particular commodities mentioned in the Crowsnest pass agreement other than grain?—A. No.

Q. You do not know what the movement is on that?—A. It would be a rather difficult matter to segregate that, it would require an examination of every waybill.

Q. It is not a very large matter as compared with grain, is it?—A. I would think not.

Q. Just another question with regard to the separation of earnings. The railways in the western States mostly terminate at Minneapolis, St. Paul or Duluth, and their through business is carried over other lines, so that there is a segregation of the earnings between the two railways, the connecting railways, in regard to through business?—A. But is it not a fact in all that country that the rate ends in Minneapolis?

Mr. HAYES: Yes, on grain.

By Mr. Hudson:

Q. Mr. Hanna, your grain rate ends at Port Arthur?—A. Yes.

Q. A car of some kind of mineral we will say, going from Montana down to New Jersey, goes over four or five lines of railways?—A. Yes.

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Q. The earnings in respect of that car are separated all the way through?—A. Yes.

Q. Allotted to the different railways?—A. Yes.

Q. There is no railway in the United States that goes from the Atlantic to the Pacific at all, any single line of railway?—A. Not any one line of railway. The Western ends at St. Paul.

Q. They have different earnings, and all traffic of that kind has to be divided up, and it is divided up according to some system, which is regarded as being satisfactory to railway accountants.

The CHAIRMAN: Are there any other questions which would be profitable? If not, I will call Mr. McGeer.

Mr. MACDONALD: I would like to call attention to these rates, Mr. Chairman. Stellarton is the centre of a mining district. The rate in July, 1916, for hauling coal to the town of New Glasgow was 25 cents per ton.

Mr. HAYES: A distance of how many miles?

Mr. MACDONALD: 2.1 miles. The next year it was increased to 30 cents a ton, the next year 40 cents; on August 12, 1918, it was increased to 60 cents, and in November, 1920, it was increased to 70 cents a ton, or 280 per cent. The result of that method of operation is that most people have endeavoured to have coal hauled by teams of the company instead of by the railway, in order to attempt to make deliveries outside of the Government railways, at great inconvenience to the public and to the killing off of the traffic to a very great extent. I want to take this opportunity to urge upon you a normal tariff. That same thing applies to the hauling in from other mining centres.

Hon. Mr. STEWART: May I ask another question? In 1916, in the opinion of the witness, 25 cents would be a fair rate, having regard to the rates that obtained at that time?

Mr. HAYES: It is clearly a switching rate.

By Mr. Macdonald:

Q. That is merely a switching rate?—A. The equipment is tied up about the same length of time in connection with the movement of that distance, in loading and unloading, as it is in the much longer haul.

Q. But an increase of 280 per cent is a very heavy increase, and a total disregard of the interests of the people who are the patrons of the road, tempting them to go outside the road altogether, in order to meet the situation?

Mr. HAYES: That is a situation I would be glad to look into.

WITNESS: I would like to make one correction. Mr. Symington the other day made reference to the movement of a train on the Canadian National Railway, or rather, to the size of it, and spoke of it as a train moving from Winnipeg to Port Arthur with 90 cars. Mr. Lanigan a day or two afterwards corrected Mr. Symington. I now desire to correct both of them, because they are both wrong. The fact is that the train in question began at the terminal point, Rivers, the first divisional point out of Winnipeg, with 102 cars on it, 96 loaded cars, 5 empty cars and a caboose. It moved in a solid train over that division from Rivers to Winnipeg. It is not down hill either, as my friend Mr. Lanigan stated, but has a four-tenths to five-tenths grade. If the question is germane to this enquiry, which I rather doubt, I want to make that correction for the sake of accuracy.

By Mr. Hudson:

Q. What would be the weight of the grain?—A. There were 3,184 tons, and the tare of the cars was 1,914 tons, making a total of 5,098 tons that were hauled by one

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of our latest Mikado engines. It is what we call a 53 per cent engine, 53,000 pounds tractive force, one of our largest engines. If there is any value at all in that information, it is perhaps in the interests of truth.

By Mr. Macdonald:

Q. Did I understand Mr. Hayes to state that there will be an international rate upon pulpwood and paper in effect on the 1st July, which will mean a decrease of 10 per cent?

Mr. HAYES: That is what we anticipate now.

Mr. MACDONALD: Applying to all three of those commodities?

Mr. HAYES: Yes.

Mr. HANSON: Does it apply to other commodities?

Mr. HAYES: It applies to all commodities you will be interested in, Mr. Hanson, except potatoes, and potatoes were reduced 10 per cent in the fall, and the American railway order does not provide for any reduction below the 10 per cent from the original 140.

The CHAIRMAN: That is all, thank you, Mr. Hanna.

Witness retired.

The CHAIRMAN: Gentlemen, Mr. McGeer, representing the interests of British Columbia, would like to be heard for a few moments if there is no objection. I hope he will not raise anything that is controversial.

Mr. MACDONALD: I have no desire to restrict Mr. McGeer, but I would like to know specifically what he is going to talk about.

The CHAIRMAN: He is going to talk about the woes of British Columbia.

Mr. McGEER, K.C.: I desire to supplement what Mr. Oliver stated to this Committee, and to make the position of British Columbia a little more definite than it has been made; also to answer one or two things in Mr. Symington's remarks and one or two things in Mr. Lanigan's remarks. I do not know that it will involve any controversy. I am inclined to think it is a matter that should be put before this Committee as illustrative of our position.

Hon. Mr. STEWART (Lanark): Perhaps Mr. McGeer thinks Mr. Oliver did not make it clear enough.

Mr. McGEER, K.C.: Judging from Mr. Symington's evidence, the conclusion he seemed to draw was that as far as British Columbia was concerned, if the Crowsnest pass agreement were re-established we would get proportionate reductions on the commodities covered by the Crowsnest pass agreement and on the grain rates to the West. Now in the Pacific Coast Rates case it was not the matter of the Crowsnest pass agreement rates in a discriminatory way that were considered as against the rates in British Columbia. What had been done after the Crowsnest pass agreement had been brought into effect was to establish rates from Winnipeg, which was a point not mentioned in the agreement, which permitted the Winnipeg distributor to distribute his commodities to Nelson, B.C., at a lower rate than the Vancouver shipper could distribute to the same point.

By the Chairman:

Q. British Columbia's complaint largely refers to rates on merchandise moving east to the prairie district?—A. Not altogether. I would like to complete that statement with reference to the Pacific Coast rates case. When they adjusted the rates it was a matter of adjustment between Winnipeg and Vancouver, and not of adjust-

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ment of the rates on grain or the rates on the commodities from Eastern Canada into the Prairies as compared with those rates from Vancouver to the Prairies. When those rate adjustments were made there was no adjustment made on the westbound grain rates, and there never has been an adjustment on the westbound grain rates. There was comparatively no movement at that time, but even if there had been a movement, I doubt very much whether the westbound rates would have been considered as controlled in any way by the Crowsnest pass agreement. Our submission is this, and it not only affects British Columbia but also the Alberta grain producer, that if you re-establish the Crowsnest pass agreement you absolutely wipe out the westerly movement of grain to Vancouver, because you would establish a differential on the movement of grain from prairie points to Fort William that would make it unprofitable to move it to Vancouver. That is a matter that is considered of very great importance to the port of Vancouver, and that is one of the reasons why we cannot support, in so far as grain rates are concerned, the re-establishment of the Crowsnest pass agreement without a very substantial adjustment on the westbound movement.

By Hon. Mr. Crerar:

Q. That means you are taking the position that the rates for the Alberta farmer on grain must be maintained at a higher level than they otherwise might be in order that you might have shipments through the port of Vancouver?—A. No; we say the natural port for the movement of the products of the Alberta grain producer is through the Pacific port, and that if he has an opportunity to move his grain through Vancouver on the same basis that the Manitoba producer of wheat moves his through Fort William, he will be in as favourable a position as you in Manitoba are to-day. And unless that route is developed and the re-establishment of the Crow agreement, we submit it would absolutely block out your Alberta producer of wheat, and he must be always in the position that he is in to-day, one of substantial disadvantage to the producer of the more easterly province, and that works out on the Crow Agreement. When you got that Crow Agreement, you gave a 3 cent reduction to the man in Manitoba, which to the Alberta producer in Edmonton and Calgary with the 23 cent and the 29 cent rate you gave the same three cents and that was obviously a condition which was permitted because there was no reduction on grain in Alberta at that time.

Q. No percentage decrease?—A. In one case it was about 12 per cent and in the other about 22 per cent.

By the Chairman:

Q. I guess that is because Dr. Rutherford was in Parliament.—A. It was because of the conditions which obtained at that time. Nobody thought of a movement through the Port of Vancouver. Another thing that Mr. Symington outlined—I don't want to disagree with his legal opinion, but the conclusion he draws from the Pacific Coast cities is to my way of thinking, erroneous, and even if it were true, even if it were correct absolutely, we would still have this difficulty with a great many of the commodities which we are now moving from the Coast to Prairie points or hope to move which would not be covered by that agreement. For instance, there is nothing on sugar, nothing on newsprint, nothing on rice or lumber. There is nothing on a great bulk of the commodities which will move from the Pacific Coast to the Alberta consumer. If it is a good thing to have a statutory rate on certain commodities, then why is it not a good thing to extend to all commodities? If the rate under the Crows agreement is bound to be lower than what the commodities can stand, even those other commodities, I think we should hope to get adjustments against carrying the extra load. On the bulk of the commodities we would move from the Pacific Coast to Prairie points, we think we would be unable to secure the general reductions, because we add reductions on the other things. As a result of a recognition of that condition, the Canadian Manufacturers of British Columbia sent me a

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wire which I would like to file, because I would like the Committee to appreciate the fact that the Premier's statement was not a statement of the Government only of the day, but it was a statement which generally reflects the feeling of the bulk of the people interested in the transportation problem (reads):

"Vancouver B.C. June 10.

G. G. McGEER,

Chateau Laurier, Ottawa, Ont.

Following report transportation Committee this division unanimously adopted at annual meeting here May 10th your Committee have come to conclusion and have so expressed themselves to head office of Association that direct result reinstatement Crowsnest pass agreement would be to aggravate discriminations to-day existing against British Columbia shippers of commodities covered by Agreement having only recently concluded before Board Railway Commissioners the tribunal constituted for that purpose representations having as their object removal one discrimination against this province your Committee have found themselves unable concur in any action such as reinstatement Crowsnest pass agreement which would we believe still further hamper British Columbia shippers in getting into their natural market in Prairie Provinces (stop) Board of Trade have not passed formal resolution Crows agreement but at general meeting Board here evening seventh at which over three hundred members were present Board gave unqualified endorsement to representations made by Premier Oliver before Parliamentary Committee (stop) Get copies Vancouver World and Province June eighth containing full reports Board meeting.

Hugh Dalton."

By Mr. Macdonald:

Q. Is not your position this, if you are entitled to a special reduction of rates in B.C., similar to what we call for in the Maritime Provinces, your claim is before the Board of Railway Commissioners now for consideration?—A. I was just coming to that.

The CHAIRMAN: I suppose further than that you claim the Eastern wholesale man has a rate better than British Columbia into the middle west on household furniture, paint, paper, roofing paper and things like that?—A. In Vancouver our fruit production has grown since 1910. We are supplying to-day a very substantial portion of the fruit consumed in the Prairie Provinces. There is no provision for the agricultural control of fruit rates eastbound from British Columbia points. It is the same with cordage and binder twine. We are not manufacturing agricultural implements on an extensive scale, but there are a certain class of goods being manufactured in B.C.; we are manufacturing all kinds of bar iron and that kind of thing. The evidence of Mr. R. P. McLellan, one of the leading hardware men was that 50 per cent of the wholesale hardware distributed in B.C. was manufactured in B.C. There are certain sections where roofing felt, roofing paper and paint was manufactured on the Coast to a large extent. With those commodities, even if Mr. Symington's conclusions were correct—we would not be satisfied with the adjustments on those commodities. What I cannot understand is why when this agreement was drawn, the rate on fruit, if it was a good thing to have for the benefit of the prairie consumer, why in the world was it not good business to have a rate on canned goods and if it was good business to have a rate on coal oil, why not a rate on gasoline, because he uses much more of the one than the other. I simply wanted to make the position of British Columbia clear, because we did not want it and I hope that we are not considered as selfishly opposing what the prairie section felt and I hope is a good

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thing for them. Our conclusion is while it may be a good thing for some of the eastern provinces, it is not in the best interests of probably Alberta, because Alberta has to have the bulk of its commodities covered by the agreement, not from the east but from the west.

By Hon. Mr. Stewart (Lanark):

Q. Talking about this list of commodities, you say you do manufacture certain farm implements and certain lines of furniture?—A. Yes, very largely.

Q. A revival of the Crowsnest pass agreement providing for a lower rate from eastern Canada to the west, to Port Arthur and Fort William on farm implements would operate in the way of a decline of this employment in your province?—A. Our condition is it would wipe us out of the fruit market of Manitoba. It would wipe us out of the manufacture of paints and those general commodities, because the differential existing against us to-day is so high it is difficult to do any business in any section of the Prairie Provinces, so we say as manufacturers we would be practically wiped out if the differentials—

By Mr. McConica:

Q. If you were not doing any business you would not be particularly injured if the rate were reduced?—A. I quite agree on that. They are doing a lot of business there. We are supplying practically all your fruit and all your canned goods.

By Hon. Mr. Stewart (Lanark):

Q. You feel that it would operate to the advantage of western Alberta to have those eastern rates, to have a general revision of the rates rather than a revival of the Crowsnest agreement?—A. What I would say as to that, I think if this Committee has gleaned anything at all, that they have gleaned something of the complexity of the rate structures of Canada, and the difficulties that present themselves when you come to adjust rates so everybody is going to be treated fairly. I do not agree with the proposition made by the railways. It seems to me rates are bound to come down on basic commodities. It seems to me there must be a general revision downward of rates because it must be patent to everybody that the cost of operation and wages are going to come down.

By Mr. Macdonald:

Q. You think they should come down, as a matter of fact?—A. I think they should. I can only say this, that the Board of Railway Commissioners is the only body competent to say, though, to what extent they should come down. One of the reasons why we do not agree with everything here is that in British Columbia we have been spending a great deal of time in preparing the British Columbia application to the Board of Railway Commissioners. What we are asking now is not selfish. We are not asking, like the Maritime Provinces, for special consideration.

Q. Yes, you are.—A. I do not say that you are not entitled to it.

Q. You want to eliminate the mountain rates. You think you should be treated the same as the people on the prairies, at least, that is what I understand your Premier to say?—A. Yes, but our cost of operation in British Columbia is less than it is in Ontario or Quebec.

By the Chairman:

Q. I was told, Mr. McGeer, that your reference to the New Brunswick cost of operation was not fair, because there is only 57 miles of the line in New Brunswick and it is only a terminal?—A. We did not confine it to New Brunswick. Take it to Quebec, if you like.

By Hon. Mr. Crerar:

Q. We were told to-day that it was impossible for the railways to determine the cost of operation?—A. That is correct. I think that was dealt with in the 1914 case

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by the Board of Railway Commissioners, in which Sir Henry Drayton wrote the judgment and did not agree with that at all. I have the reference here, and it is important that I should put it upon the record—I don't know that it is necessary. The Board said that it was impossible to divide accurately a railway system into a number of operating divisions and tell with a degree of mathematical accuracy just what the operating expenses and operating revenues were. What they did say was that for all general purposes, after allowing a certain margin for error, the system adopted by the railways up to the year 1914 was complete enough for the purpose.

By Mr. Hudson:

Q. Wasn't Mr. Hanna's statement even better to-day, when he said that he could guess, on whatever suited his purpose best; if they are guessing to-day, they are not favourable to the proposition?—A. My experience is that you can prove anything you want to prove by railway statistics; when they are favourable to the railways, they get them, and if they are not, you get them, and if you do get them they do not amount to anything.

Q. When they give them to you and they are not against themselves, they do not mean anything?—A. They do not mean anything.

By the Chairman:

Q. What do you do when you cannot get railway figures; do you make them up yourself?—A. No, sir, I do not.

By Hon. Mr. Manion:

Q. What I would like to ask is this, I would like to know what they go on, or what they agree upon; what is your proposition, Mr. McGeer?—A. We say that the Board of Railway Commissioners is the proper tribunal to investigate and adjust rates, and we say that if the Board of Railway Commissioners are going to function at all, they should be in a position to function without any restrictions, that is, that there should be no statutory provision compelling them to give a rate to one section of the Dominion that they will not give to another section of the Dominion.

Q. In other words, do away with the Crowsnest pass agreement?—A. That is my representation, and I understand that that is acceptable to British Columbia.

By Hon. Mr. Stewart:

Q. Let me ask one question. In order to carry that out you believe that the Crowsnest pass agreement should be further suspended or abrogated altogether, Mr. McGeer?—A. If you ask me for it, I would say this, Mr. Stewart—

Q. I want the opinion of your province.—A. I would say that our province would say that the Board of Railway Commissioners should have unrestricted power to fix just and equitable rates for the whole of the Dominion.

By Mr. Macdonald:

Q. They cannot have that if the Crowsnest pass agreement is there?—A. Then I would say to abrogate the agreement.

By Hon. Mr. Stewart:

Q. It is not a case of further standing a disappointment?—A. It is only taking two bites of a cherry; it will be wiped out when it comes up again.

Q. What do you say about any further limitation by Parliament of the power of the Board of Railway Commissioners in amendment of the Crowsnest pass agreement?—A. I think it would be more or less absurd, and I will tell you why. The railways have brought forward a proposal which looks nice on the face of it, that they will reduce rates on a number of basic commodities. To show the absurdity of their proposal, which is patent on its face, they will reduce potatoes, but nothing on fish or fruit. If potatoes are basic, why are fish and fruit not basic? There is commodity

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discrimination appearing right on the face of their proposal. Furthermore, I would say that it is a safe bet that the railway bodies themselves are not prepared to volunteer reductions that will be as great as the Board of Railway Commissioners will be prepared to make over the next year.

By Mr. Hanson:

Q. But do you think that Parliament, which has to deal with it, should make an explicit direction to the Board of Railway Commissioners as to how far they should go now?—A. I do not think the Board of Railway Commissioners can get any information from your Parliament, because if there is anybody in possession of the facts, it is the Board of Railway Commissioners.

By Hon. Mr. Stewart:

Q. They should give nothing except advice?—A. I quite appreciate the jurisdiction of Parliament on the question of policy, and as to the constitutional question also raised. That should be dealt with from a constitutional point of view. But here the Board of Railway Commissioners have toured the provinces of Canada from the Atlantic to the Pacific; they have conducted the most sweeping investigation ever conducted by a body, into transportation matters; they are in possession of all that information to-day. What information has been given to this Committee to-day in a summary sort of way that could be of any value to the Board of Railway Commissioners?

Q. You think they know better than we do?—A. If they do not, you had better get a new Board of Railway Commissioners.

By Mr. McConica:

Q. What do the Board of Railway Commissioners or the Committee know about it; that is what you seem to ask?—A. You attempted to make rates in 1897 under the Crowsnest pass agreement. It must be apparent to anybody that the Crowsnest pass agreement as a rate making proposition is a hopeless failure because it is incomplete in every respect. The moment you start handling by statute, which is something you cannot change every day, fixing a basis of rates by statute when as a matter of fact rates are continually changing, rate structures are changing, the density of traffic is changing, the operating conditions are changing, the railways are continually publishing new rate tariffs—how can you say to-day by a statute what the rates are going to be five years, one year or six months from now? It is time for the railways to force a sweeping reduction in operating costs. I believe every man in Canada conversant with the problem recognizes the railways must bring that about, then you come and say that you in Parliament have made an agreement with the railways for a reduction on basic commodities, and every time you go to the Board of Railway Commissioners and ask them for a reduction of rates, every representative of the railway corporations in Canada would turn around to the Board of Railway Commissioners and say that they had made an agreement on that question, and give the basis of the agreement. One of the most absurd things Parliament could do to-day in regard to transportation it to accept for a moment any limitation in the reduction of rates, because they are bound to come down much more rapidly and to a greater extent than has been suggested by either Mr. Beatty or Mr. Hanna. There are just one or two references I would like to make with reference to our operating costs in British Columbia. Mr. Lanigan gave you certain figures.

By the Chairman:

Q. But you say we should not deal with this now, but leave it to the Board?—A. I am not sure that you are going to accept my conclusion on this point, Mr. Chairman.

The CHAIRMAN: Mr. McGeer says he cannot finish in twenty minutes.

Mr. MACDONALD: What other witnesses have we to hear?

[Mr. G. G. McGeer.]

The CHAIRMAN: So far as I know, Mr. McGeer is our last witness.

Hon. Mr. STEWART: Before closing, I would like to ask Mr. Lanigan and Mr. Hayes one or two questions.

The CHAIRMAN: Then had we better meet this evening?

Mr. HUDSON: Do not you think we have had a fairly long day?

Hon. Mr. STEWART: I think so. Let us meet to-morrow morning. If the exhibits filed by Mr. Hudson are going to be put in, I would like to examine Mr. Campbell.

Mr. HUDSON: We can take that up to-morrow morning.

The Committee adjourned at 6.15 o'clock p.m. until 11 o'clock a.m. on Tuesday, June 13, 1922.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 14—TUESDAY, JUNE 13, 1922

NAMES OF WITNESSES

Mr. McGeer, representing British Columbia

Mr. Lanigan, Freight Traffic Manager, C.P.R.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 425,

HOUSE OF COMMONS,

TUESDAY, June 13, 1922.

The Select Standing Committee appointed to make enquiry into the question of railway transportation costs and the effect upon Canadian National Railways and other lines, as well as upon agricultural development and Canadian industry generally of the expiration of the suspension of the Crowsnest pass agreement on July 6 next, met at 11 o'clock a.m., the Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: Mr. McGeer will resume his remarks.

Mr. G. G. McGEER, recalled.

WITNESS: Last night as I finished up, there were some remarks made with reference to the unfairness of the comparison of British Columbia's operating expenses with New Brunswick district, and there were some suggestions that the mileage in New Brunswick district was limited to 57 miles.

By Mr. Michaud:

Q. Limited to 57 miles?—A. Some suggestion was made that the New Brunswick district was limited to 57 miles.

By Mr. Michaud:

Q. They are breaking a line of railway from the north to the south side of the province. That means 250 miles.

The CHAIRMAN: I think I was responsible for that. I simply said somebody informed me that they only had 57 miles in New Brunswick, but I think that was of their own main line.

WITNESS: In any event I do propose to deal with that, but before I take that up—

By Mr. Macdonald:

Q. It is a mere matter of detail. The facts are that a very large portion of the division of the C. P. R. is in the State of Maine, and I suppose that was what was in the mind of the gentleman who raised the question.—A. I propose to deal with that feature too. However, as I said before, I would just like to supplement the position taken by Mr. Oliver that irrespective of operating conditions British Columbia constitutionally is entitled to the same treatment, practically on the same theory that the Maritime Provinces are asking for special consideration that the rest of the people using the National transportation systems enjoy. But I want to go a little bit further than saying that it is a mere constitutional right, that it is simply an implied part of the contract upon which we entered Confederation and we say we paid for it in full and that we gave a full measure of consideration, a greater measure of consideration than was given by any other province in this Dominion and in every bit of railroad construction that has taken place in the province of British Columbia there has been a very substantial measure of assistance granted. In support of that I wired to Victoria and secured a statement of the land grants and subsidies that had been made on account of railway construction from the Provincial Government and I would like to place that on the record (reads):

[Mr. G. G. McGeer.]

"Victoria, B.C., June 10.

G. G. McGeer,

Chateau Laurier,

Ottawa, Ont.

Replying your wire land department advise land subsidies aggregating 22,779,685 acres granted for railway purposes. Of this 14,550,000 acres conveyed to Dominion Government under terms of Union 2,130,000 conveyed to Dominion for Esquimalt and Nanaimo Railway; 250,783 acres to Kaslo Slocan Railway; 188,593 acres to Columbia and Kootenay Railway; 3,755,733 acres to B. C. Southern Railway; 1,348,225 acres to Columbia and Western Railway; 6,275 acres Vancouver lands to Smith and Angus on account of C. P. R. cash subsidy paid."

Which is the amount of land which went in aid of the Crowsnest Pass Railway and which is under enquiry. There are some other minor ones which I am not going to take the trouble to read. I file it as it stands. Besides that we gave some very substantial cash grants. (Balance of telegram reads):

"Kettle Valley Railway \$1,269,250; Kaslo Slocan Railway \$100,000; Nakusp and Slocan Railway on account of guarantees, \$346,277. (Stop) For authority of above see terms of Union also statutes 1884 chapter 14; statutes 1912 chapter 37, statutes 1914, chapter 64.

(Signed) John Oliver."

By Mr. Macdonald:

Q. That is just the land grant?—A. The cash grants are there. Do you want the details of them?

Q. Nanaimo Railway bought it eventually and it passed through McKenzie and Mann's hands.—A. It was only a very small portion of it.

Q. Mr. Dunsmuir, who was a British Columbian, built the railway and developed the coal lands there. That is what occurred originally.—A. He developed a small portion of them.

Q. Then he subsequently sold to the C.P.R.?—A. He may have done that.

Q. Then British Columbia undertook, when the Federal Government refused to subsidize the C.P.R., when Mr. McBride was in power to guarantee the securities of the Canadian Northern, that the C.P.R. has taken over.—A. That he voluntarily did that?

Q. Yes.—A. I think he did what everybody did in Western Canada, that they felt there was necessity to find a competing road to the C.P.R. and the policy of Mr. McBride and on which he was elected in 1912 was that by guaranteeing the bonds of the Canadian Northern Railway, he would bring to British Columbia a road which would bring the product of the country to the markets of Canada.

Q. And you would bankrupt your province if you did it voluntarily?—A. A statement like that is ridiculous. We are not relieved of the obligations we assumed then but because there was a peculiar situation developed common to the whole of the Dominion, somebody says we were relieved of our obligation.

Q. You were very glad to get the Government to take over the C.N.R.?—A. I don't know that we were.

Q. We all know in the House of Commons. I was in the House of Commons and I knew that the Canadian Parliament would not agree to subsidize the C.N.R. in British Columbia and that your Government voluntarily did it. I know further you were very glad indeed when the Canadian Government undertook to relieve you of the liability, because a \$45,000,000 guarantee for your province from a financial

[Mr. G. G. McGeer.]

position would bankrupt your province if you had to assume it so you did that all voluntarily. That is all I want to make clear.—A. I don't think you have made it very clear.

Q. It is clear enough for me anyhow.—A. I have something that I want to make clear as far as this Canadian Northern question is concerned, and I don't think it is germane to this discussion at all and I think I am competent to judge the matter as well as anybody who has not given any time to it at all, but I would say it would be better for British Columbia to have the control of rates, and assume the C.N.R. obligation than to be without the control of rates. I will say it will be more valuable, economically to British Columbia to assume that \$45,000,000 obligation and the control of rates, which would mean considerably more than that. I would say that the development that would involve in the Province of British Columbia, that the \$45,000,000 obligation on a province of that kind would be a mere bagatelle.

By the Chairman:

Q. You should stick to the facts that are before us and let us get down to the job we are at.—A. We find the Maritime Provinces coming here asking for special consideration, because they say and I think quite rightly—I don't think British Columbia has any occasion to quarrel with the Maritime Provinces, because we think the railway was built for the development of the whole of the Dominion and if it is going to influence the Maritime Provinces to have an equal rate, then I believe that the policy of the Canadian National Railway should be such that they should be given an opportunity to grow along with the rest.

By Mr. Macdonald:

Q. The difference between us and you is that you have four or five or a dozen railways in your province and we have only one. We have a population greater than yours.—A. Population does not cut any figure. However, whether that is so or not, the proposition is that the Province of British Columbia should have the same consideration that the rest have and on top of that we say we have paid for it, and that is something, Mr. Chairman that no other province has done. Now on the question of operating expenses—and I am not going to go into very many figures on that—a statement was made, as I said a few moments ago, that the comparison with New Brunswick was not altogether fair, because the mileage was entirely different. I would like to place on the record, the mileage of the different districts of the C.P.R.: New Brunswick, 1,375; Quebec, 3,093; Ontario 3,711; Algoma, 4,132; Manitoba 5,140; Saskatchewan, 2,950; Alberta, 3,694; British Columbia, 2,086: Now, British Columbia, next to New Brunswick, has the lowest mileage of any of the districts. Now, Mr. Lanigan in his remarks made a comparison of operating costs in British Columbia and in the Prairie Provinces, and he pointed out that on the per mile of line basis the operating costs in British Columbia were 22.6 per cent greater than in the Prairie Provinces in 1920; in 1921, 16.49 per cent greater. Now on the next page, 474, he says that there were no changes in the conditions in 1920 and 1921 as they obtained in 1912, which were the years that statistics were taken from, when the judgment in the Western Rates Case was written. As a matter of fact, the change that has taken place, even as compared with the Prairie division of from 30 per cent to 16 per cent and in Sir Henry Drayton's judgment or in the Western Rates Judgment, the statistics before the Board—and I am quoting now from the Western Rates Case, September, 1917, page 227, in dealing with British Columbia's rates, the statistics before the Board show that the operating expense per mile of line on a British Columbia division are 22 per cent higher than the average for the entire line per mile of road and upwards of 30 per cent higher than the average on the Prairie divisions, so that in 1914 our operating expenses were 30 per cent higher than

[Mr. G. G. McGeer.]

in the Prairies. In 1921 that has been reduced to 16 per cent, but when they took the system as a whole and made a comparison on that basis, British Columbia was 22 per cent higher, and to-day it is 44 per cent less. That simply means this, that the operating expenses have equalized and they have equalized for a number of reasons. They have equalized because your wages in the east have gone up; they have equalized because the C.P.R. met the necessity of meeting the operating expenses; the C.P.R. have improved their operating conditions. They have built the Connaught Tunnel and the spiral tunnels, and the result is that the conditions are different than in 1914, to the extent that there is no longer any justification for a higher toll in British Columbia on either the cost of construction or the cost of operation. You can make a number of comparisons which will be favourable and unfavourable, but if you will compare any sections in eastern Canada with the Prairie divisions you will get a much worse showing on the different factors than by comparing with British Columbia. These facts are all before the Board of Railway Commissioners and our position shortly is this, that upon those facts we expect to get redress. But if you re-establish the Crow agreement without amply protecting us we feel that the chances are that we will, though we are entitled to it, be delayed in the measure of redress we think we are entitled to. There is just one other point I would like to dwell on, and that is this. There may be certain disadvantages of operation in British Columbia. The fact is that there are many peculiar conditions that make it peculiarly advantageous to operate a railway there. In the first place British Columbia is peculiarly complementary to the Prairie Provinces. It has in its deposits of timber, in its fisheries, and the class of its agricultural lands, from the fact that it has a Maritime Province, developed a large manufacturing industry. It has natural sources of supply for a great portion of the things the western farmer consumes. Now when we look at the rate structure, it is not confined exclusively to British Columbia. Your high tolls carry back to the Prairie Provinces; they carry back all the way practically across Alberta again and go down south to Manitoba and disappear as they go east. Some of the advantages as a whole are the possibility of moving wheat through British Columbia all the year around. That is an advantage we believe and I think everybody believes through the Dominion of Canada as a whole, because it would relieve a very substantial measure of the congestion which obtains at the head of the lakes and which I believe is caused by the desire on the part of the wheat producer of Canada to get his wheat out to the Atlantic ports before navigation closes on the St. Lawrence.

There would be no necessity for that movement were the grain route via the Pacific Coast developed. But you cannot expect to move grain and lumber from the Pacific Coast unless you have inbound cargoes, and you can never expect to develop inbound cargoes from the Pacific Coast if you permit the railway systems of Canada to do what no Government of Canada would dare to do, that is, to build a tariff wall on the western boundary of British Columbia and compel British Columbia to be limited to the consumption of its own market. That is a matter of peculiar importance to the Dominion as a whole, and while we may have a greater idea of the possibilities of the future out there, we have this idea as well, that with 62 per cent of the stand of timber in the whole of the Dominion on the Pacific Coast, with a province bigger than the State of California, the State of Washington and the State of Oregon combined by the size of England, complementary to a province just as big and just as well fixed as the province of Alberta, I believe that under favourable conditions that there could be built up an industrial and commercial community on the Pacific Coast which will be greater than that on the Atlantic Sea-board and more valuable to the Dominion of Canada. But we also believe that in order to bring that condition about, in order to take part in that trade development, it is an essential thing that we should have that trade barrier erected by the railways broken down. Mr. Lanigan has said that the west is over-railroaded. I think there is some measure of truth in that statement. But did the C.P.R. build in order to participate in the

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trade that was there; did the Grand Trunk Pacific build in order to participate in the trade that was there? I venture to say that neither one of those roads was built for that purpose. Those roads were built because the men who went through the country and examined the resources of it believed that there was every reason to justify the construction of railways, in the natural wealth that those particular sections of the country possessed. I venture to say this also, that we are inclined to swing from high levels to low levels. Had the war not come on, and had conditions continued on as they were, many of those undertakings would have been much greater successes than they were expected to be, and I venture to suggest that if there is to be any solution of the railway problem in Canada, if there is to be any solution of the question of railway deficits in Canada, that solution must come as a result of tonnage and traffic west of the Great Lakes, and a great deal of the development of tonnage is going to come from the Pacific Coast trade, and from the provinces of Alberta, Saskatchewan and British Columbia. I know that some men say that we are coming down here with an injured air, that they are tired of hearing British Columbia complaining about the treatment that it is getting. Let me say that British Columbia is not complaining, and that British Columbia has never complained. In every one of the rate increases that were made from 1914 to this date, there has not been one Board of Trade in British Columbia that opposed them, there never was a sentiment expressed in opposition to these figures. We said, in spite of the fact that we were getting the worst of it that if they needed these increases in order to carry on, they should have them, and we still say the same thing, and never in any of the instructions I have received, have I been instructed to ask for special favours, nor have I been instructed to ask for a reduction in rates, and I do not believe that we can expect some of the reductions I have heard described here. We know perfectly well that operating conditions on the railways have not gone back as quickly as they might have gone, but we do know that some of the requests that have been made are being made to bring certain classes of rates back to a pre-war basis. If you do that to one section of the country, and you are unable to get your operating expenses down, it is reasonable to assume that some other section is going to pay for it, and I do not believe it is a healthy condition in the Dominion of Canada to have a province such as British Columbia dissatisfied with its rates.

By the Chairman:

Q. You do not mean to say, Mr McGeer, that it would be possible to please the people of British Columbia or any other people, for that matter, with respect to rates?—A. Yes, I do.

An Hon. MEMBER: The only thing is, to reduce them.

The CHAIRMAN: Or, eliminate them altogether.

The WITNESS: That may be the understanding in the East, but we have no such idea as that. Our idea is that a railway should make a fair return upon its invested capital. But when we find our apple producers, our lumbermen, our manufacturers of every kind, paying from 10 per cent to 170 per cent more for the same service than is paid elsewhere in Canada, we think we are hardly getting a fair deal, and I do not think, if we feel that way, that there is anybody here who would suggest that we have not the right to look into the matter. Let me tell you gentlemen something. In British Columbia there is a manufacturer of roofing paper; he was able to take roofing paper via the Panama Canal, land it at Montreal, ship it out to Winnipeg, and land it there at \$9.20 a ton cheaper than he could ship it from Vancouver to Winnipeg.

By Hon. Mr. Stewart:

Q. Did you say \$9.20?—A. \$9.20 a ton. It costs us more to ship rough lumber from Vancouver to Calgary, a distance of 642 miles than from Seattle to New

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York via the Panama Canal. Lumber that is worth \$15 a thousand at the mill in British Columbia, costs the Calgary farmer something like \$32 a thousand when he lands it in Calgary, and it is only a two-days' haul. When you are lifting the price of commodities at that rate by transportation, I say you are going too fast.

By Mr. Hance Logan:

Q. Have you the actual figures for that transaction, Mr. McGeer?—A. Yes.

Q. I am speaking of the paper transaction?—A. They were put in as evidence in the Vancouver Case. We can ship our rice from Vancouver to Calgary for the same price as from Vancouver to Montreal; that is a commodity peculiar to the Pacific Coast.

By the Chairman:

Q. What is that again?—A. We can ship rice for the same price to Calgary, a distance of 642 miles, as we can ship it to Montreal. I think salmon is within a very close margin of it. Salmon, which moves for export from Vancouver to Montreal, moves at a lower rate than salmon moves to the farmer-consumer in Calgary. Now, let us take the canner of vegetables. When I was in Alberta last, my instructions were to the effect that there was not a can of tomatoes that went into Alberta that did not come from British Columbia, in 1920. We paid on a thousand-mile haul a rate of 104 per cent greater than the man would have paid if he had shipped them a thousand miles from eastern Canadian points. Take the rate on sugar next. The rate on sugar from San Francisco to Chicago is 85 cents, while the rate on sugar from Vancouver to Winnipeg is \$1.58.

By Hon. Mr. Manion:

Q. Are they about the same distance?—A. About the same distance as to Chicago.

By Mr. Macdonald:

Q. Did you ask the Railway Commission for a reduction of all classifications?—A. What we did was this: we asked for an equalization; we asked for an equalization on this basis, we said we recognized that there is an element that has a compelling force in the making of rates in the East, that is water competition from Halifax to Montreal and from Montreal to the Head of the Lakes. I do not think anybody who is fair can help but admit that it is there and that it is bound to keep railway rates low. There is then another element on certain classes of commodities, namely, that of the American rail competition. We said that recognizing those elements, outside of them altogether we should have the same treatment as the rest of the people of the Dominion of Canada. What we said was this: we said that operating costs on the prairies has no relationship to rates. If you understand what I mean by that, it is this, that the railways are compelled to carry on with low rates in eastern Canada, even if they have to make proportionately higher rates in the west, so that the rates on the prairies will be much higher than they would have been had they been established on the basis of operating costs; that is, if you look at any of the comparisons given you will find that the operating costs per ton mile, per mile of line, per gross ton mile, or per car mile—or take any of the factors and you will find that with the peculiar conditions in the Prairie Provinces, with their long mileage, with their very large tonnage of a similar nature, that they enjoy more favourable operating conditions than they do at the extremities of the Dominion.

By Hon. Mr. Manion:

Q. Mr. Hanna absolutely disagreed with that. Am I right?

Mr. HAYES: Mr. Lanigan was there.

[Mr. G. G. McGeer.]

By Hon. Mr. Manion:

Q. Did you not disagree with that Mr. Lanigan?

Mr. LANIGAN: What was your statement again, Mr. McGeer?

The WITNESS: Shortly, I said that because our operating costs were higher on the prairies, you say we are entitled to a higher rate.

By Hon. Mr. Manion:

Q. The statement as I understand it is this: you said that practically everybody here admitted that the cost per ton mile—or any other comparison you wish to take—was much lower on the prairies than on the other parts of Canada. Is that about it?—A. Generally speaking, that is what I said.

Hon. Mr. MANION: I understood Mr. Lanigan would not admit that yesterday.

Mr. LANIGAN: I do not admit it.

The WITNESS: That is nothing new. Mr. Lanigan seldom admits anything.

Hon. Mr. MANION: I only wanted to get the two different viewpoints. One makes a statement, the other goes exactly opposite.

The WITNESS: As far as Mr. Lanigan and I are concerned, we will likely make several statements that are opposite. What I want to point out to the Committee is this, that Mr. Lanigan has made this statement, and has filed two exhibits; he says "There should be a certain basis of rates in British Columbia higher than those on the prairie, and I am going to file exhibits Nos. 7 and 8 to show simply that the condition as far as British Columbia is concerned has not changed." He then filed a number of comparisons, that is, he filed comparisons per mile of line and showed that the British Columbia cost of operation was 22.68 per cent higher than on the prairies. Now, he is taking that factor, the per mile of line basis. What I say is that that there is not an eastern division that is not in a worse position relatively to the prairies than British Columbia. For instance, take British Columbia and Ontario; British Columbia's operating expenses per mile of line in 1920 were \$12,277.

Q. How much?—A. \$12,277. Ontario's operating expenses per mile of line were \$17,250, or British Columbia was forty and one-half per cent less than Ontario, so that Ontario on that basis is worse off than British Columbia. Let us now look at Quebec. The operating expenses per mile of line in Quebec was \$20,000 as against British Columbia's \$12,000. So that Quebec unfortunately is worse off. I can assure you that Mr. Lanigan and I will disagree about many things.

By Mr. Macdonald:

Q. What is that due to, that difference?—A. It is due in a measure, to two ratios; the British Columbia tonnage has improved not only in the length of haul, not only in the volume, but it has improved as to the class of tonnage we have. If you will go back to the figures of 1912 you will find that no such condition obtained, that the tonnage was worse, that is, in 1912, British Columbia was eleven and a half per cent greater than Quebec, or \$8,300 per mile as against \$7,400.

Q. But there was more traffic, and it would cost more to move it?—A. No, what I say is, and without fear of contradiction, that as far as the traffic is concerned, it has not changed in ratio since 1912. And without going into a mass of details, I submit we have absolutely established that beyond question before the Board of Railway Commissioners, and I also gave you some figures here in that connection.

By Mr. McMurray:

Q. You used this expression some time ago: "Rates have nothing to do with operating costs on the prairies"?—A. That is that they had no relation.

Q. You used the word "prairies." Does that apply to British Columbia?—A. No; the prairie divisions start at Current River, a few miles east of Fort William, and end at Canmore, a few miles east of the British Columbia boundary.

[Mr. G. G. McGeer.]

Q. So that in British Columbia your rates are figured out on operating costs just as they are in Eastern Canada?—A. No.

Q. Why did you limit it to the prairies?—A. Because I say the rates on the prairies are higher than they would be if they were based on operating costs on the prairies. I say you have low rates in the east compelled by water competition and high rates in the west because that is the only place where the railways can get the money to make up for the conditions in the east. I say that is an arbitrary rate. Then they stick 30 per cent on top of that arbitrary rate and call that the British Columbia rate, because they say our operating costs come in in the West. We say the rate is high enough to more than take care of the operating costs in British Columbia to-day.

Q. Up to a certain point they figure correctly on the cost of operation and then they gratuitously add something on that?—A. They did not have our consent to do it.

By Mr. Macdonald:

Q. You want to have the same rates that there are in the prairies?—A. We think there should be two rate structures in Canada, one in the East because of the peculiar conditions which we admit and acknowledge, and another one in the West.

By Mr. McMurray:

Q. Including the prairies?—A. Yes.

Q. You want to be treated the way the people on the prairies are, without any relation to the cost of operation?—A. I am inclined to think that the Winnipeg man is in a fairly favourable position. He gets his grain to Fort William at a very reasonable rate; it is rather anomalous—

Q. I am not arguing that question with you at all. I am simply asking you a question?—A. We would be perfectly satisfied to have the same treatment that you are getting.

Q. Without any relation to operating costs at all?—A. We would take that position fairly and frankly, and say: Here, if we had a Western rate structure and an Eastern rate structure and the rates in the East were made on the basis of what was necessary, and no lower than that which was actually influenced and compelled by water competition or this other element of rail competition, then we in the West would have to accept a rate that would be sufficient to take care of the railway system as a whole.

Q. Do you think that is a fair and proper basis to set rates on?—A. You have to use your railways to get Eastern commodities into the prairies. You have to use Eastern railways to get your commodities out. You cannot cut your railways off at Fort William and you get a rate to St. John on your wheat that is surely a benefit to you.

Q. Do not you think there should be some relationship between rates and the cost of operation?—A. Supposing Mr. Hayes came to you and said, "We will have to have rates that will take care of our costs of operation." Then you would not move a ton of freight in Canada.

Q. You do not think that should be the basis?—A. No, and I do not think the leading traffic authorities founded the rates on the basis of the cost of operation.

By Mr. Euler:

Q. What should they be founded upon?—A. It is very difficult to say, but what they are founded upon is a number of factors. Supposing you were handling one class of very high-grade freight or one class of low-grade freight, if you will take in the movement of your traffic, conditions of the country throughout, and just look at the Dominion of Canada with its variety of commodities and operating con-

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ditions, you will see that it is practically impossible to lay down any general basis of rate-making other than to say that the railway company is entitled to a fair return after it has paid its expenses on its invested capital.

Q. You would not think the primary factor in the making of rates would be what the traffic will bear?—A. There is no question about that, but that is qualified to the extent of saying that rates are made on the basis of what the traffic will bear and move. Of course, I do not believe that we in the Dominion of Canada should feel that our railway operators are all pirates and hold-up men. I believe in so far as the Canadian Government Railways are concerned, that they are more interested in the development of traffic and the movement of freight than are a great many of us, and I also believe that our friends, the C.P.R., are probably in the same position. But there is something we have to recognize, and that is that we have in the Dominion of Canada a railway problem of a very serious nature. We feel this is not the time for one section to go forward and say they want a certain rate because they have an agreement that is out of date, while another section wants something else that we know nobody else in Canada can get without having that agreement. I believe the spirit of British Columbia is that there is a great deal of real work to do, and part of it is looking to the development of certain sections of the Dominion of Canada to take care of the railway property. We believe one of the things that can be done, and if it is done will produce effective results, is the development of the movement of trade from the prairies to the Pacific ocean. I do not think I am alone in that. I would like to refer to an article which was written by Mr. Thomas White—

Hon. Mr. CRERAR: Mr. Chairman, I have listened with very much interest to Mr. McGeer's statement but I really think he is travelling quite a distance afield in the line his discussion has taken. I understood from Mr. McGeer's statement last night that his province is opposed to the Crowsnest pass agreement again coming into effect.

Q. Am I correct in that understanding?—A. Oh, yes; there is no question about that.

Q. And you are further in favour of leaving the whole matter of the fixation of rates in the hands of the Railway Commission?—A. With the exception of one feature: We are going to suggest that the Railway Act be amended to prevent territorial discrimination unless it is compelled by the factors we have outlined.

Q. Your argument to-day is leading up to that suggestion?—A. Yes; and in the alternative we would ask a recommendation that our land grant and general assistance and the implied agreements we had under Federation, be taken into consideration by the Board when they are bringing down their judgment on rates.

Q. You do not think the Crowsnest pass agreement should be ignored entirely?—A. I think it is quite out of date. I do not think it is in the interests of Canada as a whole. I think it benefits certain classes of people in the Eastern Prairies, that it is of peculiar benefit to the people of Manitoba, but not of any substantial benefit to the people of Alberta.

Q. They were here arguing for it?—A. I am merely giving my own opinion. You say you cannot farm grain in Manitoba. The Saskatchewan man says he cannot farm grain in Saskatchewan, and the Alberta man tells the same story; but the fact is that if the Alberta man were given your Manitoba rate he would be very happy; he would be satisfied with less. The Alberta man has to produce wheat at a rate that you people in Manitoba are complaining about. If there is going to be any real measure of relief to the Alberta and Saskatchewan producer of wheat, it must be obtained by sending their products out through the Pacific Ocean port, for then they will be on an equality with the producer of wheat in Manitoba. That is the only real measure of relief that your wheat producer in Alberta can get. If you give

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him the Crowsnest pass agreement rates he will not be any better off than he is to-day; that is, a few cents a bushel on a rate of that size would certainly not put him in as favourable a position as his wheat-producing associate in Manitoba. We say that the dropping of the Crowsnest pass agreement and the removal of the mountain scale of rate would certainly benefit the people of British Columbia, but a far greater measure of benefit to the farmer and the residents of Alberta and Saskatchewan than the re-establishment of the Crowsnest pass agreement would be—

By Mr. McMurray:

Q. I gathered from Mr. Oliver's statement that he was not prepared to take the stand that you are apparently taking to-day, and that he wanted to retain the Crowsnest pass agreement and not put the matter in the hands of the Board of Railway Commissioners?—A. Oh, no.

Q. I asked him that question specifically, and he answered that he would not give up the double-barreled shotgun?—A. Whatever Mr. Oliver said, what I am saying now goes.

Q. I asked him if there was any merit or value in the Crowsnest pass agreement, and he answered that he would not give up the double-barreled shotgun.

By Mr. EULER: He was not willing to give up the benefits, great or small, of the Crowsnest pass agreement unless he had an absolute assurance of something better to take its place.

HON. MR. STEWART (Lanark): I think, Mr. Chairman, that referring to what Mr. Oliver intimated to the Committee, that he would favour a further temporary suspension of the agreement rather than its abrogation, and it is in that connection he said he would not give up a double-barrel shot gun.

By Mr. Hudson:

Q. My recollection is that he did say just as Mr. Stewart said, that he was willing to have the Crowsnest pass agreement further suspended provided some clause was inserted in the Railway Act which would prevent the discrimination against British Columbia which seemed to exist under the present rulings of the Board of Railway Commissioners.—A. I will tell you as far as that is concerned, there is not a great deal of difference. It may come back after a suspension of a year or three years, and it may not, but I don't think we would have any quarrel on that question but what the gist of Mr. Oliver's suggestion was was that it should be suspended pending a trying out of some alternative with a view to working out another solution of the problem.

By Mr. McMurray:

Q. Would you be prepared to have it abrogated altogether and leave the whole question to the Board of Railway Commissioners?—A. My experience with the Board of Railway Commissioners, and I must confess the only thing I know about freight rates is that I don't know very much about them after a considerable time, but I don't think you can make rates by Statute, Mr. McMurray.

Q. Would you be prepared to have it abrogated and let the Board of Railway Commissioners handle the situation as far as British Columbia is concerned?—A. Absolutely.

By Mr. Macdonald:

Q. You have more confidence in the Board of Railway Commissioners than Mr. Langley had.—A. I don't suppose the Board of Railway Commissioners would welcome any opinion from me. I was before the Board of Railway Commissioners on this inquiry for something over a year and a half. I think we have appeared before them some fifty or sixty times. I have never found the Board of Railway Commissioners

[Mr. G. G. McGeer.]

when they were not willing to hear everything I had to say and when they were not willing to order the railway companies to give me every bit of information that I requested even when the railways refused.

By Mr. Hudson:

Q. Did not Mr. Oliver make some suggestion that in the event of the Board of Railway Commissioners deciding against you you would take the matter to the Imperial Parliament?—A. Certainly, and in the same way if you judge adversely in this case we would go to appeal.

Q. You would be satisfied with the Board of Railway Commissioners if they decided in your favour and you would be dissatisfied if they decided against you?—A. I think everybody who goes before a tribunal is rather in that position and that is why we have our rather elaborate appeal courts. I don't think they are infallible and I think what Mr. Oliver said in British Columbia, he did not think that they were getting fair treatment and he was convinced of that and he was going to make use of every means in his power to get legislation and if he did not get it he was going to take the matter in his own hands—

Q. And there was the possible appeal to the Imperial Parliament and there was another appeal which he did not define in a very definite way?—A. I think he said he would appeal to the power of taxation. However, the answer to any criticism to the Board of Railway Commissioners is this, if they are not functioning properly, they should, and the answer is not to make rates by legislation but to get a new Board of Railway Commissioners, one that will.

By Mr. Shaw:

Q. You appeared for the British Columbia Government in this last taxation case just ended?—A. Yes.

Q. I presume on that occasion the C.P.R. produced figures to show their operating costs in British Columbia, did they?—A. Yes.

Q. And also to show their earnings in British Columbia, did they?—A. No.

Q. What did they show as to what British Columbia's contribution was?—A. I could refer you to a section of the judgment of 1917.

Q. I just want to know if they produced any figures indicating what the earnings of the C.P.R. were in British Columbia?—A. No, they did not, and they have not kept any figures since 1916.

Q. Did they produce any estimates?—A. No. They said it was utterly impossible. Now I think Sir Henry Drayton dealt with that matter in 1914. The judgment outlined, if you allowed for current variations or errors, that for all purposes in making divisional comparisons you were able to tell fairly well what was taking place. The only revenues you can get from 1916 on are the revenues from lines east and from lines west.

Q. How do you hope to get any relief from the Board of Railway Commissioners, if you have nothing to show what that should be, what contribution was made?—A. Section 319 of the Railway Act says it is not on us to show at all. When you have a difference of rates and where we are able to show a difference in conditions the onus is on the railway to justify a rate and we say they cannot justify a rate. My argument is that you cannot justify as to whether a toll is reasonable or not, as against lower toll, unless you know the revenue. That toll is a burden and if the railways refuse to keep a record of the revenues that tolls are producing in various territories, they cannot lay the onus on us according to Section 319 of the Railway Act. I cannot see how the railways can hope to have the Board continue higher tolls in British Columbia on the mere fact that they have refused to keep district revenue accounts.

By Mr. Macdonald:

Q. What do you suggest we should do as a result of your representations in regard to your matter?—A. I suggest first that the Crowsnest agreement be suspended or abrogated.

[Mr. G. G. McGeer.]

By Mr. Shaw:

Q. You don't care which?—A. I don't care which, no. That an amendment to the Railway Act be made covering the point or a recommendation be made that the Railway Act be amended to limit territorial discriminations to points compelled by water competition, which, I believe would establish a western and eastern rate structure in Canada with a dividing point at Fort William or thereabouts.

By Hon. Mr. Stewart (Lanark):

Q. Would you include water competition and American rates in this?—A. That would have to be done, but that rail competition would not be an element of a general character to an amendment drawn recognizing those two factors and limiting territorial discrimination to points in Canada, lines east and west.

By Mr. Michaud:

Q. That would bring rates in British Columbia down to the rates in the Prairie provinces?—A. Yes.

Q. How would they get relief?—A. A substantial portion of the Prairie provinces would get a substantial measure of reduction. The Prairie provinces enjoy a very, very happy position. Grain movement goes to the head of the lakes on a short mileage. A great many commodities come in to Winnipeg and are distributed from Winnipeg on a rail haul of 420 miles, which is a constructive mileage of 290 miles from Fort William to Winnipeg. Winnipeg is in much the same position as Vancouver. It enjoys a very large measure of benefit by being located in close proximity to the head of the lakes.

By Mr. Hudson:

Q. This shows it is 420 miles worse off than Vancouver?—A. I think it is worked down to 290, but whether it is a few miles or not it is in an infinitely better position than Regina, Saskatoon, Calgary and Edmonton. Take on our lumber, on our sugar, all the commodities that move from the coast, Alberta and British Columbia does not pay that. Every dollar of that freight is added to the commodity and the Alberta consumer pays the bill. If you eliminate the mountain scale, we say at least the western prairies are being placed much in the same position the eastern prairies are to-day.

By Mr. Euler:

Q. You think about the only remedy for the producer of wheat would be to have him ship his wheat out via Vancouver or some other port? How much of a reduction on grain do you think he might find it possible to do that with?—A. If he had the same rate that the Manitoba and Saskatchewan producer of wheat has, that is all he would need.

Q. Would you say the Prairie Provinces find much of a grievance as to the rates that obtain at the present time?—A. As compared with the rest of Canada, I don't think they have. They move their grain less than we move our lumber. My estimate of the revenues paid to the C.P.R. by the Canadian wheat producer taken the other night was about 28 per cent of the total revenue paid to the C.P.R. on the western lines.

By Mr. Macdonald:

Q. You stated two of the things you would like us to do. I suggest it would be a good idea if you proposed to us what the amendment to the Railway Act is?—A. On the third proposition if the Committee is opposed to amending the Railway Act that a recommendation be made, recommending that the Board of Railway Commissioners take into consideration the terms of Union and the land grants which were made to the railway companies in aid of railway construction generally in the province as a measure of setting any actual disabilities or railway disadvantages that railway transportation through that province is subject to.

[Mr. G. G. McGeer.]

Q. Those are the three suggestions?—A. Yes.

Q. Perhaps you would submit for clarity the proposed amendment to the Railway Act?—A. Yes, sir, I will do that. There was one comparison Mr. Lanigan made, in which he dealt with population and the number of people per mile of railway. I don't think there is very much in that, because you can have a class of people who are not tonnage producers. I have a list showing the tonnage per capita in Ontario, Quebec, Saskatchewan and British Columbia. In Ontario your tonnage per capita was 1.10; British Columbia it was 5.52. That shows you that the number of people per mile of line have nothing to do with your freight movement or tonnage. If you had a population of 100,000 people of lace manufacturers or jewel manufacturers, they would not produce any freight. If you have a large number of people producing lumber, fishery products, forest products of all kinds, you would get an enormous tonnage from that class of people. The suggestion was made that British Columbia was in an unfavourable position from the originating tonnage point of view. Manitoba with 13,000 miles of railway will produce more tonnage than a district like British Columbia, with 2,000 miles of railway. I have taken off the tonnage originating per mile of road in British Columbia as 1,540 tons per mile as against New Brunswick, 995, against Manitoba 1,192 and as against Algoma, 755.

By Mr. Hudson:

Q. Originating traffic on the Algoma division?—A. 755 tons per mile of road.

Q. What would that be?

Hon. Mr. MANION: Pulpwood and minerals.

WITNESS: When these figures came out before the Board of Railway Commissioners there was a good deal of comment, but those figures were gone into and there was a good deal of tonnage.

By Mr. Hudson:

Q. What year was that?—A. 1917, but I have the figures for 1922.

Q. Does the Algoma district include the Sudbury mines?—A. Yes.

Q. There would only be a short portion of that in the Algoma district. (No answer.)

By Mr. Macdonald:

Q. It would include the Soo, I suppose, too?—A. Whatever the reason for it is, there is the tonnage.

Hon. Mr. MANION: There is a big lumber and steel industry at the Soo and there is pulpwood and various other metals.

WITNESS: A short summary of that is that British Columbia originates as much tonnage per mile of line as Ontario and more than New Brunswick, Algoma, Saskatchewan and Manitoba. I would just like to file that.

(Statements filed as follows.)

(See page 256, Exhibit No. 3).

COMPARISON TONNAGE Originating All Lines and British Columbia, and Tonnage Originating All Lines and Alberta and British Columbia for Year Ending June 30, 1912, and Years Ending December 31, 1917 and 1920.

	1912	1917	1920
All Lines.	25,940,238	20,217,177	19,597,466
British Columbia.	2,632,759	2,169,208	2,263,907
Percentage.	10.1%	10.6%	11.5%
All Lines.	25,940,238	20,217,177	19,597,466
Alberta and British Columbia . .	6,059,042	6,469,627	6,427,053
Percentage	34.9%	32%	32.7%

[Mr. G. G. McGeer.]

(See page 267, Exhibit No. 3).

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COMPARISON Originating Tonnage Quebec and Ontario, with Alberta and British Columbia for the Years 1917 and 1920.

1917—			
Quebec..	4,067,376		
Ontario..	2,677,480		
			6,744,856
British Columbia..	2,169,208		
Alberta..	4,300,419		
			6,469,627
Quebec and Ontario greater originating tonnage..			275,229 tons or 4.2%
1920—			
Quebec..	4,293,487		
Ontario..	2,635,652		
			6,929,139
British Columbia..	2,263,907		
Alberta..	4,163,146		
			6,427,053
Quebec and Ontario greater originating tonnage by..			502,086 tons or 7.8%

(See page 264, Exhibit No. 3).

COMPARISON of Originating Tonnage, by Divisions, for years ending December 31, 1917 and 1920.

			1917
	Mileage Operated	Originating Tonnage	Originating Tonnage per Mile of Road
New Brunswick..	784	780,113	995
Ontario..	1,509	2,677,480	1,774
Algoma..	1,110	837,973	755
Manitoba..	2,464	2,818,385	1,144
Saskatchewan..	2,150	2,566,243	1,192
British Columbia..	1,408	2,169,208	1,540
			1920
New Brunswick..	784	815,960	1,040
Ontario..	1,509	2,635,652	1,746
Algoma..	1,110	637,826	575
Manitoba..	2,464	2,641,924	1,077
Saskatchewan..	2,150	2,145,764	994
British Columbia..	1,408	2,263,907	1,608

COMPARATIVE STATEMENT Originating Tonnage by Districts and Per Capita, Calendar Years 1917 and 1920

1917

District	Miles	Population 1911 census	Originating Tonnage by districts	Tonnage per capita
New Brunswick..	784	351,889	780,113	2.21
Quebec..	1,425	2,003,231	4,067,376	2.03
Ontario..	1,509	2,341,877	2,677,480	1.10
Manitoba..	2,464	593,493	2,818,385	4.74
Saskatchewan..	2,150	647,835	2,566,243	3.96
British Columbia..	1,408	392,480	2,169,208	5.52

1921 Census

1920

District	Miles	Population 1921 Census	Originating Tonnage by districts	Tonnage per capita
New Brunswick..	784	388,092	819,960	2.11
Quebec..	1,425	2,003,231	4,067,376	2.03
Ontario..	1,509	2,712,574	2,635,652	0.97
Manitoba..	2,464	652,641	2,641,924	4.04
Saskatchewan..	2,150	750,000	2,145,764	2.86
British Columbia..	1,408	523,369	2,263,907	4.32

Those figures show what this sea of mountains in the West produces in tonnage to the railway. British Columbia and Alberta produce within 4.2 per cent of the total tonnage, originating in Quebec and Ontario in 1917 and within 7 per cent in 1920.

[Mr. G. G. McGeer.]

By Mr. Hudson:

Q. That is British Columbia and Alberta together?—A. Yes. The mountains are on the boundary line. British Columbia and Alberta are really the Pacific rate districts. That is Canadian Pacific Railway. There are no district figures for the Grand Trunk. The C.N.R. recognizes that they have no justification for the higher toll in British Columbia and they have never conceived an idea of a Pacific rate structure that would stand up.

Q. Have you separated the figures of British Columbia and Alberta?—A. Yes. They are separated. The tonnage in Alberta was something about a little over one-third greater than British Columbia's, but it was made up of Alberta's coal and grain. It is producing to-day enormous coal tonnage, but the fact that in that western territory those two provinces which are supposed to be out on the limits where there are no profits left, it produces 32 per cent of the total tonnage of the C.P.R., almost as much as the province of Ontario and Quebec, with this marked distinction in the tonnage originating in Alberta and B.C., it averages a haul of freight from three to four times as much as the whole of Eastern Canada.

By the Chairman:

Q. They produce how much?—A. About 32 per cent of the tonnage of the C.P.R.

Q. How much more than Ontario?—A. Within 4 per cent of Ontario and Quebec.

Q. Not of Ontario and Quebec's production?—A. Yes.

Q. You mean on the production which the C.P.R. gets?—A. I say there are no divisional figures for them. They don't keep them at all. They keep everything by lines East and by lines West. I was just remarking in the West we produced about 98 per cent of the total timber in 1920. I think the tonnage received by the C.P.R. was in the vicinity of \$1,300,000 tons. Over a million of that tonnage was produced in B.C. In Quebec and Ontario they produced more than that. I think they produced 1,400,000 tons, but the difference was our revenue—was approximately \$8,000,000 in the West against approximately \$3,000,000 in the East. What I am pointing out to you is this, that with that long haul every ton that is produced in Alberta or British Columbia, of lumber moving westward or grain moving eastward, or of grain moving either eastward or westward, or commodities distributed from the Coast to prairie points, that those tons so originating are worth probably three or four times as much to the railways as similar tons originating in Eastern Canada, where the haul is comparatively short. I have the gross tons per mile of line, the car miles per mile of line, that is, in the actual movement of freight. It is a peculiar thing, but British Columbia had more car miles than Saskatchewan, and more gross ton miles than either Saskatchewan or New Brunswick. I would like to file this statement, which gives an indication of the grain, lumber and coal produced in Western Canada, and the percentage produced in the districts of Alberta and British Columbia. This statement indicates that as far as the revenues of the West are concerned, Alberta and British Columbia produced a much more favourable percentage than for instance Manitoba, and that British Columbia is in a much more favourable position. I have some figures, Mr. Shaw, which I think will help you in coming to an estimate of what the revenues in British Columbia are.

By Mr. Shaw:

Q. Are those C.P.R. figures?—A. Yes. We have not got them after 1916. Just to give you an idea of what the showing is, in 1916, British Columbia had a net revenue of \$846 per mile of line, while British Columbia had a net revenue of \$2,063 per mile of line. In 1914 British Columbia had a net revenue of \$4,448 per mile of line, and lines East had a net revenue of \$2,000 per mile of line in 1914, while lines West in that year had a net revenue of \$4,575. So that the net revenues in this respect, as far as British Columbia is concerned, have always been as great, and in

[Mr. G. G. McGear.]

the majority of cases, greater than those of the other provinces, operating under like conditions, where you have a comparatively short mileage, you carry the full terminal costs on that mileage, and do not get an allocation in handling what passes over your lines. For instance, Alberta, under the accounting system of the C.P.R., would get more revenue out of the lumber allocated to the Alberta section than British Columbia.

By Mr. Macdonald:

Q. Do you consider your request as vital and important to Alberta, as well as British Columbia?—A. I do, and I think the majority of the people of Alberta agree with me that Alberta has a greater benefit coming to her through the removal of the mountain scale of rates than she has through the Crowsnest pass agreement.

By Mr. Shaw:

Q. Do you say that the majority of people agree with you in connection with that?—A. Yes, I do.

Q. How did you ascertain the wishes of the people?—A. I went through the province of Alberta two or three times, discussed this question with the Premier of Alberta and with your traffic man, and I think as far as the exigencies of the case will permit, that if they were free and were not tied up to the Crowsnest pass agreement that they would be here agreeing with me.

By the Chairman:

Q. You say there is an economic affinity between British Columbia and Alberta?—A. There are no places in the world more so.

Q. You think that the Manitoba freight rates on merchandise are rather too favourable to Manitoba and unfavourable to you in the provinces of Alberta and British Columbia?—A. Yes.

Q. You want a better show for your merchants as against Manitoba?—A. Yes.

Q. That is the real crux of the thing?—A. It is not so much our merchants, our merchants will not be able to do business there. What we want to do is, to get greater development of our manufactured commodities. We believe for instance that in Alberta we have a great market for all of the commodities that she consumes, and that we can make most of them. There has been a suggestion that the wholesale element in Vancouver wants to trade in Calgary. They could not do that, no matter what the rates were. You could not establish a traveller in Calgary, 642 miles away from Vancouver, or in Edmonton, 700 miles away and do business in a distributing house there. I think that is patent to everybody. Some think they could do it. The fact is that they cannot do that from Winnipeg. Go through any one of the cities in the west, and you will find that Winnipeg has had her wholesale business taken away from her in every place that is big enough to support a branch house. Every big wholesale house—and we have some large ones in Vancouver—if they want to go into business in Edmonton, they have to go out there, build a warehouse and distribute their goods on telephone calls; if a retailer wants a few cans of something, he telephones for them.

By Mr. Hudson:

Q. Just on the point you are dealing with, Mr. McGeer; you think that British Columbia should trade with Alberta. What has Alberta to sell that you want?—A. Alberta has coal and grain.

Q. You have coal, as much coal as Alberta?—A. No, we have not.

Q. You have as much as you will need for years and years to come?—A. No, we paid \$14 a ton for coal in Vancouver; that coal was hauled across from the island, a distance of a few miles only.

[Mr. G. G. McGeer.]

Q. You want coal to compete with that?—A. Yes. A coal company in Calgary to-day is making an experiment across the Pacific; they expect to put in bunkers that will hold 500 tons of coal, for that purpose.

Q. There are large coal deposits in British Columbia?—A. There are.

Q. Available for use by the British Columbia people?—A. Under certain limitations.

Q. At the present time there is very little Alberta coal going into British Columbia?—A. There is some going to Prince Rupert, and some going to Vancouver now.

Q. But not very much?—A. I understand it is developing. Mr. Hayes can tell you better than I can.

Q. There is a little grain?—A. About seven or eight million bushels.

Q. But I understand that is for export?—A. The way we feel about that, Mr. Hudson, is this, that British Columbia and the lower mainland comprises one of the finest dairy countries in the world; the trouble there is the shortage of feed. If we had large shipments of grain from the prairies to Vancouver, we could establish the shipment of low grade grains to the Orient. That would build up and develop a market for cleanings of export grain.

Q. But the amount of grain which is consumed in British Columbia is not large?—A. It is whatever the consumption of 523,000 people may be.

Q. But it is comparatively small, as compared with the productions of Alberta?—A. Maybe it is.

Q. Apart from the little grain you could get and the coal, there is nothing else in Alberta that you want?—A. There is live stock, for instance.

Q. Can you not grow live stock in British Columbia?—A. We import a large proportion of our live stock, hay and eggs.

Q. But they are produced in Alberta as well as in British Columbia?—A. We produce oats. One gentleman said the other day that one of his best markets for oats was British Columbia.

By Hon. Mr. Crerar:

Q. Occasionally, when there is a short crop?—A. We covered every feature of that in the general inquiry. The farmers of the Fraser River valley gave evidence in Vancouver before the Board of Railway Commissioners that the bulk of their feed for dairying and general ranching, as well as poultry raising, came from the prairies. I do not know anything about it outside of that.

By Mr. Hudson:

Q. At any rate, Mr. McGeer, British Columbia can produce the bulk of its own foodstuffs?—A. I do not think it can; not the bulk; certainly not of its live stock, and certainly not of its butter.

Q. Do you say British Columbia will not produce the bulk of the live stock it requires for its own use?—A. No, because British Columbia is essentially a mining, lumbering, and fishing province; it is not an agricultural province. We have a certain amount of agricultural activity. We have the Fraser River valley, as we have the Okanagan valley, but as compared with the valleys on the prairies, they are extremely limited. We produced \$65,000,000 worth in 1920, and exported about \$28,000,000 worth.

Q. You would expect to sell more to Alberta than you would buy from it?—A. We did sell most of her lumber to her; we sold most of her canned goods and many of her manufactured commodities.

Q. If I understand your main argument, Mr. McGeer, it is that you think that British Columbia should be placed on a parity with the eastern provinces?—A. The Prairie Provinces.

Q. But the eastern provinces in regard to water competition; you think that is an argument which applies to you, do you not?—A. Well, we have no St. Lawrence river going through the middle of British Columbia.

Q. You would wipe out any right to participate in the rule relating to water competition?—A. You mean through the Panama canal?

Q. Or anything else?—A. I say we have the same privilege of enjoying our geographical position on the coast that Montreal, St. John, or Halifax has.

Q. But that rule would not apply to goods being shipped to the Prairie Provinces?—A. As far as Vancouver is concerned, if the eastern provinces made an application for an equalization, we would not oppose it. We would not take the same position that the city of Spokane took in their case.

Q. You wish to have your rates placed upon a parity with those in the Prairie Provinces?—A. Yes.

Q. Notwithstanding the fact that the costs of operation in British Columbia are considerably higher than the costs of operation in the Prairie Provinces?—A. What I say is that if there is a variation in the cost of operation, it is due to the peculiar conditions of traffic and accounting. I think if you will give the same tonnage to British Columbia, that is, if we had a grain movement in the same measure as we have a grain movement to Fort William, taking into consideration the very severe winter conditions, and taking into consideration water conditions, I believe the operations through British Columbia on the C.P.R. would be no more costly than on the prairies, and furthermore that the operations of the Canadian Northern through British Columbia would be less costly than they would be on any division on the prairies, and I think that is the general conception of the railway engineers of Canada to-day.

Q. I do not want an argument; I want the facts. Your position is that you want a parity with the prairies in the matter of rates, notwithstanding the fact that at the present time the costs of operation in British Columbia are higher than on the prairies, and notwithstanding the fact that there is not any water competition?—A. I do not admit the fact that the costs of operation are higher.

Q. You said they were higher, a while ago.—A. They appear to be higher, on the accounting system and on the tonnage movement; but if you take down that barrier, and let traffic flow from and to the Pacific Coast, our operation costs will be less than they are on the prairies. The railways of Canada are desirous of hauling commodities from Eastern Canada to Alberta, and they want to haul Alberta traffic to Fort William or St. John. We say that if you take down that barrier, we are going to lose a certain amount of long haul business, and there is a danger, not a large one, because the Interstate Commerce Commission in the Spokane and Seattle Case said there was not—but there is a danger of favouring trade through the Panama canal, and taking business away from the Canadian railways. That is the whole reason for our structure. It is not operating costs, and it is not traffic conditions.

The CHAIRMAN: I think you have put it pretty clearly, just on that point, Mr. McGeer.

The WITNESS: I have nothing further to put before the Committee, Mr. Chairman.

Q. Are you through?—A. Yes. I will put in these statements at this point.

Statements filed as follows:—

STATEMENT Showing Net Earnings Per Train Mile, Canadian Pacific Railway, Years Ended June 30, 1912 to 1915, and Calendar Years 1916-1920, Under Decimal 50 Dropped, Decimal 50 and Over Considered 1.

Year	N.B.	Que.	Ont.	Alg.	Lines East	Man.	Sask.	Alta.	B.C.	Lines West
1912 D.	.15	.45	.48	1.01	.57	1.51	.92	1.15	.79	1.19
1913 D.	.14	.39	.37	.76	.45	1.51	.95	1.22	.92	1.23
1914 D.	.11	.35	.34	.71	.40	1.71	1.05	1.26	1.01	1.34
1915	.17	.58	.50	.96	.60	1.65	1.03	1.26	.95	1.30
1916	.64	.68	.79	.89	.73	1.90	1.24	1.20	.71	1.43
Dec. 31, 1916	.....	.....	.....	.....	.75	.....	.....	.....	.....	1.50
1917	.....	.....	.....	.....	.70	.....	.....	.....	.....	1.44
1917	.....	.....	.....	.....	.65	.....	.....	.....	.....	1.22
1917	.....	.....	.....	.....	.63	.....	.....	.....	.....	1.08
1917	.....	.....	.....	.....	.47	.....	.....	.....	.....	1.19

"D"—Deficit.

[Mr. G. G. McGeer.]

(See Statistics *re* Freight Revenue, No. 7).

STATEMENT of Freight Revenue on Canadian Pacific Railway, for 5 year period, June 30, 1912, to 1916, inclusive, showing Revenue per mile of Road.

New Brunswick..	\$3,180
Quebec..	6,008
Ontario..	6,393
Lines East..	6,093
Saskatchewan..	4,568
British Columbia..	6,598

STATEMENT showing Net Earnings per Mile of Line on the C.P.R., 1907 to 1916 inclusive, for New Brunswick, British Columbia, Lines East and Lines West.

	N.B.	B.C.	Lines East	Lines West
1907..	147	727	2,562	2,922
1908..	333	820	1,891	2,568
1909..	51	1,282	1,595	2,864
1910 (1)..	118	1,838	3,308	3,889
1911 (1)..	113	2,141	2,515	4,065
1912 (1)..	447	2,743	2,950	4,534
1913 (1)..	45	3,683	2,475	4,901
1914 (1)..	340	4,448	2,000	4,575
1915..	469	2,322	2,407	3,045
1916..	846	2,063	3,253	4,289
(1) Deficit.				
December 31—			Lines East	Lines West
1916..			3,538	4,460
1917..			3,154	4,152
1918..			2,914	2,893
1919..			2,787	2,776
1920..			2,221	3,466

Average Mileage, Canadian Pacific Railway

Period	Lines East Miles	Lines West Miles
June 30, 1907..	3,857.1	5,111
June 30, 1920..	4,827.3	8,166.5
	970.2	3,055.5
	Increase 25%	Increase 60%

(See page 329, Exhibit No. 3.)

STATEMENT Showing Originating Tonnage of Grain, Coal, and Lumber, for 1917 and 1920, in the Four Western Districts, and percentage of same originated by the districts of Alberta and British Columbia.

1917—

Grain	The four western district originated 4,783,165 tons..	\$15,525,501
	of which British Columbia and Alberta originated . .	1,944,771 tons
	or 40 per cent of the whole.	
Coal	The four western districts originated 1,421,216 tons..	\$ 2,707,513
	of which British Columbia and Alberta originated..	1,280,792 tons
	or 84½ per cent of the whole.	
Lumber	The four western districts originated 847,624 tons. . .	\$ 4,102,500
	of which British Columbia and Alberta originated..	797,745 tons
	or 94 per cent of the whole.	

1920—

Grain	The four western districts originated 3,907,944 tons..	\$16,491,523
	of which British Columbia and Alberta originated . .	1,558,950 tons
	or 39 per cent of the whole.	
Coal	The four western districts originated 1,904,192 tons..	\$ 4,554,726
	of which British Columbia and Alberta originated..	1,667,485 tons
	or 87 per cent of the whole.	
Lumber	The four western districts originated 1,301,948 tons..	\$ 7,771,785
	of which British Columbia and Alberta originated..	1,079,157 tons
	or 89 per cent of the whole.	

(See page 270, Exhibit No. 3.)

COMPARISON Gross Tons per Mile of Line and Car Miles per Mile of Line, by Districts for the Years 1917 and 1920

District	Gross tons per mile of line	Car miles per mile of line
1917		
New Brunswick..	2,058,170	54,572
Saskatchewan..	2,086,076	53,361
British Columbia..	2,232,502	56,431
1920		
New Brunswick..	1,790,753	46,021
Saskatchewan..	2,078,616	52,293
British Columbia..	2,354,439	57,229

[Mr. G. G. McGeer.]

Q. What other memoranda have you?—A. What I have here is merely a proposed amendment to the Railway Act.

The CHAIRMAN: I assume no member of the Committee wishes to ask any further questions.

Mr. MACDONALD: I think we have covered the ground pretty well.

The CHAIRMAN: Mr. Stewart, I understand you wish to ask somebody else some questions today.

Hon. Mr. STEWART: I want to ask Mr. Lanigan some questions.

The CHAIRMAN: Mr. Hudson, we have not reached any definite decision about these exhibits.

Hon. Mr. HUDSON: All I care to have in is a statement which verified Mr. Symington's statement as to the earnings for 1921.

Hon. Mr. STEWART: You have examined upon that point, and have got in what you want.

Mr. HUDSON: If we have put in that one sheet, it will be alright.

Mr. SHAW: Mr. Chairman, I mentioned to the Committee the other day the matter of securing an estimate of the value of the tax exemption privileges enjoyed by the Canadian Pacific Railway in the Province of Alberta. I would like to submit an estimate prepared by the Hon. R. G. Reid, Minister of Municipal Affairs for the Province of Alberta. With your permission I shall now read it into the record.

The CHAIRMAN: The point that arises in my mind with reference to that tax exemption matter, Mr. Shaw, is this: If it is put in we may have to receive evidence to the contrary for the purpose of showing that your figures are not correct. How relevant is it?

Mr. SHAW: In view of the information I have, that at the time the Crowsnest pass agreement was entered into the matter of tax-exemption was given serious consideration, I think it is relevant.

The CHAIRMAN: After all, it will merely show that the Canadian Pacific Railway Company's real estate is exempt from taxation in the West, and the Committee are already aware of that fact.

Mr. SHAW: It will also show the estimated amounts of taxes for the year 1921 from which the C.P.R. are exempted by virtue of their agreement with the Dominion Government.

The CHAIRMAN: Do you think anybody has compiled reliable figures on that point?

Mr. SHAW: The Hon. R. G. Reid, the Minister of Municipal Affairs for the Province of Alberta, has apparently gone into the matter very fully. Of course, it is an estimate, but he says it is a conservative estimate, in the letter which I have from him.

The CHAIRMAN: I do not want to exclude anything. What is the desire of the Committee? Personally I do not see that it will do any good.

Sir HENRY DRAYTON: Will it do any harm?

The CHAIRMAN: No; but I do not think it will be considered relevant by the Committee of the House.

The Hon. Mr. CRERAR: We already have it in, Mr. Chairman.

Mr. MACDONALD: What is the purpose for which this information is tendered, Mr. Shaw?

Mr. SHAW: It has been suggested on two or three occasions that at the time the Crowsnest pass agreement was entered into the matter of the tax-exemption of the C.P.R. was seriously considered in relation to the Crowsnest pass agreement. If this matter was seriously considered at the time the agreement was entered into, surely it should also be seriously considered now when the question of the abrogation or further suspension of the Crowsnest pass agreement is under discussion.

Mr. MACDONALD: You purpose offering to the Committee an estimate made by the Minister of Municipal Affairs of the Province of Alberta for what it is worth?

Mr. SHAW: Yes.

The CHAIRMAN: You may read it, Mr. Shaw.

Mr. SHAW: It is as follows:—

“ESTIMATED amounts of taxes for the year 1921, from which the C.P.R. are exempted, by agreement with the Dominion Government.

“Provincial tax 33 per cent 2 mills.	\$ 45,500
Main grant lands, est. (exclusive of school tax)	530,000
School tax, est.	108,000
Properties, in cities, towns and villages on main line	163,700
Land in main Right of Way outside of cities, towns and villages.	2,800

Per annum. \$ 850,000”

I think this explanation should be added:—

“The first item only—the Provincial tax on their main lines, which are exempt from taxation, is the only one which can be recognized as absolutely correct. The others are approximately correct, and if anything will err on the conservative side. The basis of calculation is the tax which would be payable by them in the year of 1921, had they not been exempted.”

The CHAIRMAN: Mr. Lanigan, will you kindly return to the witness stand.

W. B. LANIGAN, recalled.

By Hon. Mr. Stewart:

Q. Mr. Lanigan, will you please look at this statement which has been filed. (2nd last page of statements by Canadian Pacific Railway Company for the year ended December 31, 1921, in the General Rates Investigation of 1921). Does it contain a complete record of the matters before the Board of Railway Commissioners dealing with the subject that is included in the statement itself.

Mr. ARCHAMBAULT: What is that statement?

The CHAIRMAN: The statement presented by Mr. Stewart to the witness is headed: “Canadian Pacific Railway Company—Statement of operating Revenues and Net Earnings 12 Months Ended December 31st, 1921,” and is included in the exhibit tendered by Mr. Hudson.

By Hon. Mr. Stewart:

Q. Covering the total operating revenue per train mile and per mile of line; passenger revenue per train mile and per mile of line; freight revenue per train mile and per mile of line; and net earnings per train mile and per mile of line, divided into lines east, lines west, and all lines. Is that a full and complete statement of these matters?—A. No, sir.

Q. It is not?—A. No.

Q. There are other exhibits filed before the Board of Railway Commissioners dealing with this same subject?—A. Yes.

Q. Mr. McGeer has filed this morning a number of exhibits. I would like to know how far these are taken from the exhibits filed before the Board of Railway Commissioners. One is marked “See page 329 of Exhibit 3”; another “See page 267 of Exhibit 3”; another “See page 264 of Exhibit 3”; another “See page 254 of Exhibit 3”; another “See page 270 of Exhibit 3”; and then certain statistics *re* freight revenue: No. 7 and page 16 of statistics on freight revenue. Will you look at these and tell

[Mr. Lanigan.]

the Committee if they constitute a complete record of the matters to which they refer, or if there are other exhibits that should be read in connection with them?—A. There are other exhibits that were filed that should be read in connection with all these exhibits. That is, there are other exhibits which were filed in reply and were filed on our direct examination that should be read in connection with these exhibits.

Hon. Mr. STEWART: Mr. Chairman, the point I desire to make is that if exhibits are to be put in and printed in our records (these exhibits all come from the records of the Board of Railway Commissioners) the Committee should be sure that these exhibits contain the whole story. If they do not do so, they are meaningless and will only create a false impression if printed in our records.

By Hon. Mr. Crerar:

Q. Are the facts set out in these exhibits correct?—A. I think they are correct as far as they go; that is, without checking each one; but we put in both on our direct examination and in our reply a great many exhibits that relate to these and show quite a different picture.

By the Chairman:

Q. And they would be an answer to the purpose for which these were put in?—A. They were in answer to the purpose for which these were put in, exactly.

By Mr. Macdonald:

Q. In other words, these do not contain the whole truth about this matter?—A. That was our claim before the Board of Railway Commissioners.

By Mr. McMurray:

Q. And a great many of the facts you have set out there must be absolutely accurate?—A. I did not set them out—we did not set them out.

Q. The people who prepared them, then? There must be a certain amount of that data absolutely accurate?—A. As far as the additions and deductions are concerned, I attacked both before the Board.

Q. I am not talking about your deductions. There are certain facts set out in these exhibits. Do you say none of them are correct?—A. I would not like to go so far as that. This case covered a year and a half, and there were a great many statistics put in by both sides to that case. Now, you cannot take one of these statistics and use it as against the others; nor can you very well ask me if all the figures put in are correct.

Q. Are not most of these figures which you have set out there absolutely accurate?—A. No, sir.

Q. Then why did you submit them?—A. We did not submit them.

Q. You handed them over to somebody, surely with the understanding that they were accurate?—A. We were asked for certain statistical information. We told them there were certain statistics we did not have and were not able to compile. Whatever figures we had and had compiled we gave them just as our compilation came in. As far as such figures as were set out from our accounts are concerned, they are absolutely correct.

Q. What were you doing with these figures unless you had some idea that they were accurate?—A. (No answer).

Mr. MACDONALD: To which figures do you refer?

Mr. McMURRAY: As set out in the exhibit.

Mr. MACDONALD: There are two sets of figures. One set was produced by Mr. Hudson, and another set was submitted by Mr. McGeer.

Mr. McMURRAY: I am talking about the figures submitted by Mr. Hudson.

[Mr. Lanigan.]

By Hon. Mr. Stewart:

Q. Was this exhibit to which reference has been made, showing the total operating revenue per train mile and per mile of line, the passenger revenue per train mile and per mile of line, the freight revenue per train mile and per mile of line on lines east and lines west and all lines, prepared by you or was it deduced from your general statistics?—A. It was deduced from the statistics we gave to Mr. Symington.

Q. Was it deduced by you or by Mr. Symington?—A. By Mr. Symington.

Some Hon. MEMBERS: No, no.

Hon. Mr. STEWART: That is what he says. I am trying to reconcile this statement which gives the net earnings per train mile and per mile of line on lines east, lines west and all lines, with the statement by Mr. Lanigan that their accounting system does not permit of the compilation of such a return.

Mr. HUDSON: But it would not be fair to suggest that that statement you have in your hand was not prepared by the C. P. R. That document never came from Mr. Symington's hands at all.

Hon. Mr. STEWART: If it did not, we want to know that.

WITNESS: Mr. Hudson is quite right. We gave those statistics to Mr. Symington.

By Mr. Hudson:

Q. This document was given to the Railway Commission?—A. I beg your pardon. Your firm, Mr. Hudson, asked the C.P.R. for certain statistics, which we gave to you. I daresay some of them are exactly as we gave them, but when our subsequent examination took place we showed that there was no particular significance attached to these figures; they were not accounting figures, but simply statistical figures which have no real significance as far as the company's operations on eastern or western lines are concerned.

Mr. McMURRAY: They must have some significance if they are correct.

By Hon. Mr. Stewart:

Q. Whose figures are these which appear at the bottom of the statement opposite the words "Not earnings per train mile and per mile of line" and under the headings "Lines east, lines west, all lines."?—A. They are certainly figures we prepared and gave to Mr. Symington.

Q. How do you reconcile this statement with the statement given by you in evidence that it was impossible from your accounting figures to give the very results that are contained in this statement?—A. Because we do not keep our accounts in that way. We keep, as I explained yesterday, I think, a certain amount of statistical information that we send out to our Vice-presidents and General Superintendents.

By Mr. McMurray:

Q. Are these the figures you send to your Vice-presidents?—A. Yes.

Q. And do you send them to them knowing they are not correct?—A. Certainly.

Q. What is the object of sending them to them if they are not correct?—A. If you will allow me, I will explain that.

The CHAIRMAN: It was explained yesterday.

WITNESS: There must be some standard of comparison between one year and another, and we send certain statistical information so that the General Superintendent or the Vice-president of western lines, for instance, can have some standard of comparison in regard to his operating results one year with another; but that is not accounting by any means. We have no subdivision of that character in connection with our accounting.

By Mr. McMurray:

Q. That is approximately as correct as you can get it?—A. No.

[Mr. Lanigan.]

Q. If you can get it closer, why do not you let him have it so?—A. It is really as close as we can get it, but it is not possible to get it with any degree of correctness. We cannot take the Saskatchewan division and charge it with what the Manitoba division is doing for the Saskatchewan division or vice-versa.

Q. I understand that. Then you say the figures submitted by Mr. McGeer this morning are unreliable? He made comparisons between mile earnings in British Columbia, Ontario and Quebec, and mile earnings in Manitoba.

Mr. MACDONALD: Do not confuse that, Mr. McMurray.

Mr. McMURRAY: Let the witness answer my question.

Mr. MACDONALD: I am not attempting to protect the witness. He was answering in regard to Mr. Hudson's figures.

Mr. McMURRAY: The witness can take care of himself.

Mr. MACDONALD: Mr. McGeer did not present any original figures but simply a compilation he had made himself out of certain other figures.

Mr. MCGEER, K.C.: No. I think I should clear that up, Mr. Chairman, so that it will appear on the record. We had no figures in British Columbia as to railway operations. When we started we filed a list of applications for information, and every figure I have submitted to this Committee was furnished by the Railway Commission. There were no deductions made by myself at all, and in the statement Mr. Hudson has filed there are absolutely no deductions that are not the deductions of the Railway Commission.

Mr. McMURRAY: That is my understanding.

Q. What is your answer?—A. Please repeat your question.

Q. I say Mr. McGeer submitted certain figures to-day making comparisons of the mile earnings in British Columbia, Quebec and Ontario, and also in Manitoba and New Brunswick.

The CHAIRMAN: Mr. McMurray, the witness, was called back to the stand by Mr. Stewart. We can only make progress by allowing Mr. Stewart to proceed with his questions.

Mr. McMURRAY: Very well.

By Hon. Mr. Stewart:

Q. We have had evidence by you and by Mr. Hanna. Both of you stated to the Committee yesterday or at some prior sitting that you had no accounting records by which it would be possible to give the net earnings per train mile or per mile of line with any degree of accuracy.

The CHAIRMAN: The statement to which Mr. Stewart has referred, which is included in the exhibit filed by Mr. Hudson, may be printed in the record.

CANADIAN PACIFIC RAILWAY COMPANY

STATEMENT of Operating Revenues and Net Earnings 12 Months Ending December 31, 1921.

	Lines East	Lines West	All Lines
Total Operating Revenue	85,553,979.72	101,900,025.89	187,454,005.61
Per Train Mile	4.317	5.195	4.754
Per Mile of Line	17,724.	12,478.	14,426.
Passenger Revenue	28,070,341.98	27,348,905.66	55,419,247.63
Per Train Mile	2.616	2.777	2.693
Per Mile of Line	5,815.	3,349.	4,265.
Freight Revenue	54,855,611.95	72,325,834.19	127,181,446.14
Per Train Mile	5.581	6.793	6.211
Per Mile of Line	11,364.	8,857.	9,788.
Net Earnings	11,674,201.69	30,026,451.65	34,201,740.31
Per Train Mile	0.589	1.531	0.867
Per Mile of Line	2,418.	3,677.	2,632.

NOTE.—Net earnings for "All Lines" is less net of outside operations, and expenses of outside agencies, insurance and taxes, which are not allocated between Lines East and Lines West.

[Mr. Lanigan.]

Q. Now I want to know do these figures in the statement presented by Mr. Hudson, and filed by him as to the net earnings, represent a true statement of the condition of your lines?—A. No, sir, they do not.

Q. That is all I want. What do you say with reference to these other statements that have been filed by Mr. McGeer?—A. Speaking generally, those figures that he refers to in this page 16 of statistics, those statements were filed by us as statistical statements and the origin of those statements were with Mr. McDonald, the present Judge McDonald, who was representing British Columbia in the case, who knew that we kept for the information of our superintendents certain statistical data of that kind which we used to send out to our general superintendents every year, or every month in fact, to give them some general reflection of what the operating was doing one year with another. They were not accurate and the Board decided they were not accurate, and the Board in its Judgment, which I quoted the other day, said there was no possibility of getting accurate figures of that character, that they did not reflect a true condition. Now we did not abandon this style of statistics for any such reason as given, that they were unfavourable because we rest our case entirely on the decision of the Board that we got in 1914 and we claim that there has been no change in conditions. We simply consolidated them all, that is the eight statements we consolidated up into two lines, lines west and lines east. If they were not accurate in eight cases, they would not certainly be any more accurate when they were compiled into two or three, and there is no possibility of taking any one railway and operating in any section and dividing it into two or three or eight parts if you will, and say your operating revenue is so much, your operating expenses are so much, and your net revenue is so much, because, after you get all these figures compiled, you don't find they agree with your actual results at the end of the year, and they cannot be accurate for the reasons I gave yesterday or the other day in my evidence. Take for instance, eastern lines carrying a very large share, that is grain traffic, some 85 per cent of it is western grain and by any measure you can apply to it, that traffic is conducted at an actual loss. Eastern lines also carry merchandise westbound, billed, for instance, from Montreal to Vancouver, and carrying it as far as its proportion is concerned, at the water-compelled rates from Montreal to Fort William and west on another basis agreement, so that there are a tremendous number of cars to gather and repair, all of which is debited to eastern lines, while, in fact, it performs for western lines. You can understand it is an impossible thing to divide your revenues and your operating expenses so as to get an actual reflection for any province or any section of the line on which your net earnings are concerned, and that has been the repeated decision of the Board, because in this very case Mr. McGeer made a comparison between New Brunswick and British Columbia. We all know there is no sea of mountains lying between the province of Quebec and New Brunswick in the Atlantic ocean.

Mr. McGEER: It costs just as much.

WITNESS: The Board decided this statement of statistics was absolutely incorrect and did not reflect the true position, that if it was the case, New Brunswick was doing a considerable train service for the grain of western lines. If it was then whatever service was conducted at a loss should be charged back to the Prairie Provinces. There is no possible system of accounting that that can be done by, because if your revenue was divided between eight different railways or two different railways it would not be divided on the basis outlined in those statistics.

By Hon. Mr. Stewart (Lanark):

Q. That is all I want. I am through just with one question. Mr. Chairman, the point I want to make is this, that we have these statistics presented here in support of arguments. They are parts of exhibits on file before the Board of Railway Commissioners, and it does seem to me this Committee should have from the officers a

[Mr. Lanigan.]

complete set of statistics dealing with the questions referred to here. If they are statistics before the Board having to do with this same matter, we ought to have some assurance that the statistics going into our proceedings represent a true record of everything that took place there.

Hon. Mr. CRERAR: Have you any further questions to ask Mr. Lanigan?

Hon. Mr. STEWART (Lanark): Unless a question arises with this, if we are not going to call anybody from the Board, which I think we will have to do, or the railway officials themselves. I don't think that is the way it should be done. I think we should decide first if we cannot limit the course of Mr. Lanigan's examination, but we should have a decision by the Chair as to whether we are going to hear anybody from the Board of Railway Commissioners. The Chairman has expressed a view that he does not think the chairman or any member of the Board should be called on the ground that they occupy judicial positions. I don't express any opinion on that, but if not, it ought to be known to us now and I would like it to be known before I decide what my course is with Mr. Lanigan, whether we are going to call some officer of the Board who is possessed of the necessary knowledge to advise us in connection with those matters. When we get the statements—I am not questioning the statement Mr. McGeer presented at all, but for instance, here is page 267 and page 329 of exhibit 3. Surely we ought to have some assurance that the other parts of that exhibit do not bear relation to the very matter contained here.

The CHAIRMAN: In other words, you mean if there are further statistics which are necessary to the deductions made, the parties should not be here.

Hon. Mr. STEWART (Lanark): They should be here.

By the Chairman:

Q. Are there any figures which might be presented on behalf of your railway which would be in the nature of an answer to these?—A. Yes, sir.

Q. Would you like to have them in?—A. I don't see how the Committee could get a true reflection of all that passed before the Board of Railway Commissioners and all that was said in reply to what had been presented without getting all the evidence and all the statistics that were filed before the Board in that case.

By Hon. Mr. Stewart (Lanark):

Q. Let me ask you this: Would it in your opinion help in our deliberations to have all the exhibits here?—A. I think, sir, they ought to be all there and all the evidence there.

Q. All the evidence and all the exhibits?—A. Yes.

By Mr. Archambault:

Q. All there or none at all?—A. All there or none at all.

The CHAIRMAN: You think they should be on the table available for reference? It would take months to print them.

By Hon. Mr. Crerar:

Q. You stated yesterday, Mr. Lanigan that it was impossible to actually differentiate the earnings and expenses between the Western and Eastern divisions of your line?—A. Yes.

Q. Does your system of accounting do that as accurately as it could be done?—A. No, it is impossible to do it accurately.

Q. Do you aim at accuracy in the system of accounting?—A. Yes.

Q. You aim at accurate results between cost and expenditure returns in those two statements?—A. We aim at giving our vice presidents earnings and expenses as accurately as it is possible to do it, but that accuracy does not fall probably within \$20,000,000 with the actual results.

[Mr. Lanigan.]

Q. Is the information you give your various officials secured from your Accounting Department?—A. No. It is secured from our Statistical Department.

Q. Is your Statistical Department part of your Accounting Department?—A. No. It is under, of course the Accounting Department. The Statistical Department of our line comes under the officials of our Accounting Department, but has nothing to do with our accounting.

Q. I understand then that the officer in charge of your accounting work also has charge of your statistical work?—A. Yes, sir. Well, the statistical work is under his department.

Q. It is under his direction?—A. Yes.

Q. He directs what statistics shall be provided and what shall not be provided?—A. Yes.

Q. It is therefore really part of your accounting system?—A. Every department of course goes to that department for any statistics they happen to require.

Q. But these statistics that have been furnished upon Mr. Symington's request really come from your accounting department?—A. They come from our statistical department, which is under our accounting department.

Q. And consequently are part of your accounting work?—A. Oh, no, I dare say you are an accountant.

Q. I do not plead guilty?—A. Any system of accounting that has any value must be absolutely correct, that is, the books must absolutely balance. These statistics that we furnish and that we keep as a standard of comparison do not produce that result. You could not make up a balance sheet from them.

Q. You aim at accuracy, in these statements?—A. We aim at making these statements exactly standard, so that our general superintendent or our vice-presidents may compare, by means of these statistics—which are not accounting statistics.

The CHAIRMAN: Let me point out, Mr. Crerar, that your questions and the answers we are receiving were gone over time and time again yesterday.

Hon. Mr. CRERAR: Not the information I am seeking to get, Mr. Chairman. It was not brought out yesterday.

An hon. MEMBER: Are we going to go on until six o'clock to-night?

Hon. Mr. CRERAR: I have been very patient. I have not asked many questions, and I would like to ask a few more.

Q. In the arrangements made by your road with foreign roads, you have an interchange of traffic?—A. Yes.

Q. Am I right in saying that it rests with your accounting department to say what percentage of earnings or expenses are related to that interchange traffic?—A. No, sir.

Q. How is that determined?—A. That is determined by myself, between the divisions of the Great Northern Railway and ourselves on interchange traffic, or with the Boston and Maine and our C.P.R. interchange traffic at any port. The rate each will accept is determined by my office.

Q. But you have each some determination as to what earnings will go on a particular system to your company and to the Great Northern?—A. There has to be an accounting system, or there would be no means of dividing the through revenue.

Q. Precisely. Are the records you keep of your Eastern and Western divisions as accurate as your records would be in that case?—A. No, they are on an entirely different basis. Perhaps I can illustrate it in this way. It is a little technical, but you will excuse me. Take a shipment travelling from say, Portland to Winnipeg. It reaches us at the border line there, at Kingsgate. I am giving you now the exact divisions of it. We will say the rate is \$1. In the first place, from that \$1 five cents is deducted for the bridge tolls crossing the Willmette River; then the Spokane-International connecting at Spokane between ourselves and the O.W.R. and N., as

[Mr. Lanigan.]

an instance, must get a pro rate with a maximum of not more than 15 per cent of that, that is, if their pro rate of that rate gave them less than 15 per cent of the balance of the earnings, they would get 15 per cent as the minimum. The balance would be divided between the O.W.R. and N. and ourselves, on the basis of the O.W.R. and N. getting 25 per cent, not of the through rate or of the balance, but 25 per cent of their rate from Portland to St. Paul, of whatever the rate was from Portland to St. Paul; they would take 25 per cent after deducting the five cents per hundred pounds for bridge tolls. The Spokane and International would get a minimum of 15 per cent, and we would get the balance. That is an exact system of accounting, because each line will get from that \$1 its exact proportion or percentage of that dollar. These percentages are agreed upon between the traffic managers of the O.W.R. and N., the Spokane and International and the C.P.R., just in the same way as an export shipment going via Vancouver; certain tolls are deducted from that through rate before it is pro rated, to cover harbour dues, lighterage, if there is any, or so called terminal charges or harbour charges. But these are exact divisions; there is no question that out of that \$1 you can tell exactly what goes to each railway. But that system is not followed between sections of the Canadian Pacific Railway, or any other railroad in existence. It would be a useless system of accounting; we would be debiting one pocket and crediting another.

By the Chairman:

Q. Do you feel that on behalf of your railway company you would like to make a further statement by way of reply to any statistics that are in now and which you have not made already?—A. All the statistics that have been presented, sir, have been replied to by ourselves in the case that is now standing for judgment before the Board of Railway Commissioners.

Q. But have you replied to these statistics in principle and in a broad way generally before this Committee?—A. Yes, except as to some statements Mr. McGeer made this morning. It would be a very short statement that I would care to make.

The CHAIRMAN: We must close now. Is it the desire of the Committee to meet this afternoon? We cannot meet to-morrow morning, because I understand that one of the parties in the House is holding a caucus to-morrow, and we must meet either this afternoon, to-night, or to-morrow afternoon.

Hon. Mr. STEWART: Do not have us meet to-night.

The CHAIRMAN: Will the Committee meet this afternoon?

Mr. SHAW: Let us adjourn the debate.

The WITNESS: The only statement I wish to make is that everything Mr. McGeer has said has been replied to in the case. It has nothing to do with the case of the Crownsnest pass agreement. It is a question of whether British Columbia has been treated rightly in the Rates System. He has presented his case, and I have presented our reply. I do not know whether this Committee wants to hear all that evidence.

The CHAIRMAN: I think you had better attend the next meeting. Do you wish to meet this afternoon?

Some Hon. MEMBERS: Say 4 o'clock.

The CHAIRMAN: I am speaking myself this afternoon, but Mr. Euler is the Deputy Chairman, and could preside. I am afraid I cannot be here at 4 o'clock, so we will say half past four. Senator Roberston wants to say something, I understand.

Senator ROBERTSON: Nothing at this particular moment, Mr. Chairman. I only want to have the opportunity of taking two or three minutes to make a statement in regard to one piece of evidence offered which might leave a wrong impression upon the minds of the Committee. It will be alright if I have a chance to do that this afternoon.

The CHAIRMAN: It is understood that at our next meeting it is our intention and purpose to close these proceedings.

[Mr. Lanigan.]

The Committee adjourned at 1.20 p.m. until 4.30 p.m.

The Committee resumed at 5.20.

Mr. McGEER, K.C., recalled.

Mr. SHAW: I wanted to ask one or two questions of Mr. McGeer, while he is here, if I may. You made a reference this morning to Mr. Greenfield, I think it was, and the traffic officer of the province of Alberta. I take it that you did not mean that Mr. Greenfield or the traffic officer had expressed the opinion to you that the Crowsnest pass agreement should not go into effect?—A. No.

Q. There was just one other question I wanted to speak about. Can you refer us to any decision of the Railway Commission—I think you incidentally mentioned it this morning—on which the question of subdivision of the earnings of the C.P.R. was approved of by the Railway Commission?—A. There was a discussion in the Western Rates Case somewhat similar to what took place here to-day and it will be found in 17 Railway Cases, at page 156. The reference is very short and I will just read one or two extracts from it. (Reads):

“It is true, also, that it has been very vigorously contended, on behalf of the railway companies, that it is impossible to compare the receipts which have been divided arbitrarily by the Canadian Pacific, and as it is alleged purely for book-keeping purposes, between the different divisions. It is also true that it has been practically generally admitted that the subdivision of receipts the Canadian Pacific has made among the different divisions is arbitrary and does not of necessity disclose the real earning of any division. For example, pro-rating receipts on a mileage basis of a shipment of silk carrying as it does a high rate of freight, received by the Canadian Pacific at Vancouver and necessitating a complete terminal charge at Vancouver, cannot be said to give the British Columbia division a fair share. While that division bears the initial terminal costs, its mileage is comparatively small, and the result of the method adopted in arriving at receipts is that, on this particular shipment British Columbia, which properly would be entitled to a relatively larger proportion of credit, as the freight originates with it, receives as a matter of fact, owing to its comparatively small mileage, less than one-half what the Manitoba division would be credited with, although in the case of silk the Manitoba division would be at no terminal expenses whatever, as the movement is a fast through movement all rail to the East. The same may be said of any other through fast freight such as the fish traffic, which is important, originating in British Columbia.

A more striking instance of the manner in which the application of the pro-rating principle works out is shown by the Lake Superior division, which is in Eastern Canada. This division, running as it does in great part through a wild and practically unsettled country, accompanied with great operating difficulties, and with, of course, the lowest production of local tonnage per mile of line of any part of the C. P. R., nevertheless is shown to make good returns. It has been called by all counsel engaged in this inquiry a bridge over which commerce is compelled to move, the simile of a bridge, of course, being employed by reason of the fact that practically no more local traffic is obtained than would be found in running over a bridge, which, of course, is nothing. Yet as a result of the manner in which the railway's accounts have been divided, and which have been adopted by counsel for the different complainants, the Lake Superior division is shown to be highly productive, the returns for example of 1911 crediting that division with a net operating revenue of \$4,731,287.44, only exceeded by that of Manitoba and Alberta, while Saskatchewan's net operating revenue is shown as \$3,745,071.12, a division producing a very large proportion of Western traffic. On its face, of course, these figures would show the Lake Superior division to be profitable, and one on which a comparatively low local freight rate should be enjoyed, leading, of course, to an absurd conclusion.

[Mr. Lanigan.]

As a matter of strict accuracy, it is almost impossible to divide one company into eight divisions in such a manner as to really make those divisions in effect eight companies, which would, of course, insure a proper system of credits being granted, and which would undoubtedly give proper credit to districts originating freight.

As pointed out by Mr. Cowan when arguing that Saskatchewan and Alberta were entitled to as favourable rates as Manitoba, the divisions, as divisions, are practically worthless for rate-making purposes, and are not governed even by provincial boundaries. The Manitoba division includes on the one side 329 miles of main line situated in Ontario, over which section the business of Saskatchewan and Alberta as well as Manitoba has to pass, and on the other includes 292 miles in Saskatchewan, the earnings of which Saskatchewan should properly be credited with if provincial boundaries could be considered in making rates. It is also true, as pointed out by the railways, that the divisions of to-day might be entirely changed to-morrow. While all this is so,—while intermediate divisions under the present basis undoubtedly obtain an undue credit, and, except in cases where a terminal movement in the intermediate division is necessary for the through traffic, obtain the benefit of a decreased operating cost,—to my mind there is no doubt that the division may fairly be taken in a general way, and subject undoubtedly to very considerable percentage of error and variation, as comparatively illustrating the results of the traffic in the different sections of Canada.”

The same allocation was made here that was made arbitrarily for themselves. It has no relationship to the actual results on the divisions. The particular inaccuracies of an arbitrary division are discussed in the extract which I have read on page 158.

By Mr. Macdonald:

Q. Who gave that judgment?—A. Sir Henry Drayton. There is a recognition in the judgment of what Mr. Lanigan says, that you cannot arbitrarily divide the receipts into eight divisional accounts but as I read that judgment and I think it was accepted by the present Board that for general comparative purposes the accounts as given were correct, and whatever Mr. Lanigan may say about that there is at least this to be said, that they are about as close as any practical system of accounting could get and probable variations and errors would be common in the main to each and everyone of the divisions. I think that was the conclusion of the Board at that time, but on that the Railway companies decided to abandon divisional revenues and as far as the authority from the Board is concerned in that regard, my submission would be that the Board accepted and approved of the division. If I may refer to this one other matter that was mentioned this morning with reference to the exhibits that were filed, I think there was something like several hundred pages of exhibits. Mr. Lanigan is quite right there were exhibits filed in answer to exhibits we submitted and in answer to those exhibits. But these exhibits were submitted to show that you can get comparisons where British Columbia shows favourably as well as you can get comparisons where British Columbia shows unfavourably. That is all these exhibits are intended to show, and I want to be fair to this Committee so that I don't think those exhibits absolutely establish that British Columbia is by any means the most favourably operating division of the system, but what I do say is that it indicates that it is not the least favourable, that is, that there are other operating divisions, from their own accounts, which appear to be just as difficult and just as costly and less beneficial from a net revenue point of view, as is the Western division. I don't think there is any thing else I want to add to the remarks I made, but to say this: we believe, or I am perfectly willing that the Committee should submit any figures that I have submitted, to the Railway Commission for checking, if there is any

[Mr. Lanigan.]

information they want about them. It seems they have a great deal more information than this Committee can get. They can tell you whether those figures I submitted are our own or are compiled railway figures.

The CHAIRMAN: Does that answer your question, Mr. Shaw?

Mr. SHAW: Yes.

The CHAIRMAN: I understand Senator Robertson desires to make some statement.

Hon. Senator ROBERTSON: I will be very brief. Gentlemen of the Committee, I have read from day to day the proceedings before the Committee, and I have been greatly interested, but there was one statement made a few days ago in report No. 11, which I greatly fear must have left a wrong impression in the minds of the gentlemen of the Committee, and that impression, which I gather from reading would indicate that in the opinion of the gentleman who made the statement that transportation costs are substantially increased by reason of railway employees compelling the railways to employ more men than are necessary to operate the railways efficiently.

By Mr. Macdonald:

Q. I might just refer the Committee to the statement on page 437 of Report No. 11 of June 6th,

Hon. Senator ROBERTSON: Mr. McCrea, of Sherbrooke, when speaking with Mr. Watson, said "I presume you will admit that there is a great deal of unnecessary expenditure in the operation of a railway that might be cut out if the railway management were permitted to deal with the matter directly themselves.—A. I will not admit anything of the kind." Then there are a few sentences that are not relevant. Mr. McCrea said, referring to a specific case of the C.P.R., from which it was to be deduced that he proved his statement. Mr. McCrea said, "there is a station on the C.P.R. called Springhill. The agent in charge of that station, a Mr. McDonald, has been there for 20 years, and has attended to all that was required of him at that particular station. While speaking to my son last week he said, 'I have taken care of this station for the last 20 years and am prepared to do it now, but notwithstanding that I have two helpers here that are not necessary.' There are two men on eight-hour shifts, and Mr. McDonald, who is the agent, comes on at eight o'clock and leaves at four o'clock, and during that period not one passenger train passes that station. He says, 'I have done all the work required for the last 20 years, and for half the money I am getting now. I do not want my wages cut down, but I am prepared to do what I have been doing for the last 20 years, but the regulations forced upon the railway company entail the employment of two men here that are not needed.' These words are given to the Committee as the statement of a C.P.R. station agent at Springhill. I just wanted to say that from 1907 to 1917 it fell to my lot to make these agreements on behalf of railway employees with the companies, particularly on the C.P.R., for a longer period than on other roads, and there is nothing in any agreement between that class of railway employees, so far as I know and the railway companies in Canada. I know of no rule that dictates to the company whether they shall or shall not employ any man at any particular point. I have in my hand a schedule of the agreement that went into effect on all the railroads in Canada in 1912 or 1913, at the time I discontinued active service as the representative of the employees and the rules governing employment are all contained in this and if any member of the Committee desires to look into them, I would be glad to have him look into them and satisfy himself on that point.

Mr. MACDONALD: I don't think that Mr. McCrea was a member of the Committee. He was discussing some viewpoint of his own.

[Mr. Lanigan.]

Hon. SENATOR ROBERTSON: It must have left the opinion in the minds of the Committee from the expression of this station agent that Mr. McCrea's statement is a fact. I was employed as a station agent at Lake Megantic, and I know something of the conditions prevailing at Springhill station, and I know Mr. McDonald. I was very much surprised and I communicated with Mr. McDonald, and it is purely for the purpose of laying before you the facts so that you may draw your own conclusion and exercise your own judgment that I am appearing before the Committee. On June 9 I communicated with Mr. McDonald, the father, and I said: (Reads)

"Ottawa, June 9, 1922.

"Mr. McDonald,
Agent, C. P. Ry.,
Springhill, Que.

"Dear Sir,—On several occasions recently both in the House and before Committees, Mr. McCrea, M.P., from Sherbrooke, has attacked Railway Labour Unions and railway employees wages.

"I quote his statement before a special Committee of the House dealing with the subject of transportation costs and would be glad to have you wire me on receipt of this letter at my expense whether or not you made the statements referred to and if not what was the text of your interview with Mr. McCrea's son.

"Quotation from Mr. McCrea's evidence: 'There is a station on the C.P.R. called Springhill. The agent in charge of that station, a Mr. McDonald, has been there for twenty years, and has attended to all that was required of him at that particular station. While speaking to my son last week he said, 'I have taken care of this station for 20 years and am prepared to do it now, but notwithstanding that I have two helpers here that are not necessary.' There are two men on eight-hour shifts and Mr. McDonald, who is the Agent, comes on at eight o'clock and leaves at four o'clock, and during that period not one passenger train passed that station. He says, 'I have done all the work required for the last 20 years, and for half the money I am getting now. I do not want my wages cut down, but I am prepared to do what I have been doing for the last 20 years, but the regulations forced upon the railway company entail the employment of two men here that are not needed.'

"You will perhaps recollect the undersigned as being Operator at Megantic next to you and later General Chairman of Division 7. I am, as you may know, a member of the Senate and keep an eye on gentlemen who attack unfairly the railway employees.

"Please wire me promptly, at my expense, your reply."

Mr. McDonald replied on June 10, and said: (Reads)

"Springhill, Que., June 10, 1922.

"Senator G. D. Robertson,
Ottawa, Ont.

"Dear Sir,—Yours of the 9th to hand, contents noted, and to say that I was surprised would be putting it mildly. I consider it very presumptuous on the part of Mr. McCrea to use my name in the manner in which he did.

"In the first place, I had no interview with his son, or with any member of his family to the best of my knowledge. His son made out shipping bills for two cars of timber at this station, we exchanged a few words pertaining to the business which he was transacting at the time, and there our conversation ended. It is a puzzle to me where he received his information. It was most certainly not from me.

[Mr. Lanigan.]

"I will give you a brief outline of my ordinary day's work, which will show you how entirely wrong Mr. McCrea is in his statement. I get up at 4.30 every morning, with the exception of Sunday morning, in order to have enough time to get to the station, and sell tickets, check baggage, bill express, take a train order if necessary, and answer the divers questions that are asked by the travelling public, before the passenger train arrives at 5.25. After getting the report that the train has arrived at the next station, the protecting signal is pulled in and I am given a certain number of minutes in which to go home and eat a hurried breakfast, after which I return to the station, and for the rest of the day perform the many and varied duties required of an Agent-operator, regardless of whether it requires eight or twelve hours to do it in, though we are excused from further work with the train despatcher after 5 o'clock; that does not say that our day's work is over, and it is generally 6 o'clock and often 7 o'clock at certain times, before our work will allow us to leave the station. If Mr. McCrea's son will think back he will no doubt recall that he made out the last shipping bill after the 6.40 passenger had departed in the evening, and I was still in the station.

"Mr. McCrea's son quotes me as saying there were two helpers employed here. He must have been dreaming about the whole affair to get such an absurd idea. There is not, and never has been, any helpers employed here, moreover, I am not prepared to work under the conditions which existed 20 years ago, or even ten years ago. If our wages are to be reduced again, with the prevailing high cost of living and excessive taxes, it will mean that we will have to lower our standard of living, and though we have never been able to secure luxuries, we will then be obliged to do without some of the absolute essentials.

"Yours truly,

"D. K. MacDonald, Agt., C.P.R."

He also sent me a wire on June 10, 1922, reading as follows: (Reads).

"Springhill, Que., June 10, 1922.

Senator G. D. ROBERTSON,

Ottawa.

"Yours ninth McCreas quotations regarding Springhill unfounded. One man station, writing.

(Sgd.) D. K. MACDONALD."

There are therefore three distinct statements made, namely that MacDonald worked eight hours a day, that there was no passenger trains during the hours that he was on duty, and that he had two helpers which he himself said were not necessary, while the fact is that MacDonald comes on duty every morning, according to the rules of the railway company requiring a man to be on duty thirty minutes before a passenger train is due, and is excused at 5 o'clock at night. There is not now and never has been any helper at Springhill station. I think that should probably set the facts clearly before you and indicate to you, as I know the facts to be, contrary to the statement that was made to the Committee. There is not now and never has been any helper at Springhill Station. I think that should set the facts clearly before you, and should indicate to you that I know these facts to be contrary to what has been alleged to be the fact.

The CHAIRMAN: Mr. Stewart is not here at present. I understood there were some things he wanted to ask somebody about.

Mr. HUDSON: Mr. Crerar wanted to ask some questions too, I think.

The CHAIRMAN: Were you through, Mr. Hudson?

[Mr. Lanigan.]

Mr. HUDSON: I think so.

The CHAIRMAN: Mr. Macdonald, is there anything you have in mind that you would like to ask?

Mr. MACDONALD: Of Mr. Lanigan, do you mean?

The CHAIRMAN: Yes.

Mr. MACDONALD: No, I think not.

The CHAIRMAN: Mr. Lanigan, did you want to make any further statement in reference to these tables of statistics filed by Mr. McGeer?

Mr. LANIGAN: Yes.

The CHAIRMAN: Or is your case fully covered by the statements you have already made?

Mr. W. B. LANIGAN, resumed.

Mr. LANIGAN: If it is not fully covered, Mr. Chairman, I want to make it absolutely clear that the figures obtained from the Canadian Pacific Railway, the statistics as obtained from our office are correct, in so far as the purposes for which they are compiled, but in so far as they purport to represent the net profits or the operating expenses or revenues of the different sections of the line, they do not properly reflect those conditions. I wanted to make that clear, and I also wanted to make it clear that if you are operating two railways, one east of Fort William and one west of Fort William, or one in British Columbia and another on the prairies, and a third in Eastern Canada, the revenue would not be allotted in the manner in which it has been allotted for these statistical purposes, nor would the operating expenses be allotted in that manner; consequently they are incorrect in so far as they purport to reflect the operating profits on any particular section of the railway. If you were dividing your revenue between two different lines, there are a whole lot of matters that would be bound to receive consideration; for instance, when we make traffic arrangements between companies, the road that originates the traffic and furnishes the terminal facilities would be allowed a greater proportion of the revenue because of those terminal facilities. The road delivering the traffic would have a terminal allowance, in the same manner, and it is never or seldom made on a mileage basis, because if you did that, the road making a delivery on a short haul would not get sufficient money to recompense itself for the services that are given. The result obtained under a traffic method of dividing the receipts would of course be entirely different from those reflected in these statistics, and the operating expenses would of course be peculiar to that particular division, if it were one railway.

By Mr. McGeer:

Q. May I ask a question?—A. Yes, certainly. I thought of asking you a question this morning.

By Sir Henry Drayton:

Q. I will ask it for you.—A. I will answer you, Sir Henry, but I must bar out Mr. McGeer, on account of his own case.

Q. How does British Columbia come out on the present basis as compared with where it would come out if it adopted a proper commercial practice?—A. That would require a tremendous amount of figuring. You mean, if we were operating a separate railway in British Columbia, or if another company was operating a separate railway in British Columbia, how would it come out? I could not tell you.

Q. This is briefly what Mr. McGeer wants to know. We have in the first instance a joint movement; take a movement between three railway companies, an originating company, an intermediate company and a terminal company. You do not divide your traffic receipts on the basis of the mile haul?—A. No.

[Mr. Lanigan.]

Q. On the other hand, you pro rate the percentage in favour of the originating and your terminal road?—A. Yes.

Q. What is the percentage; I know it varies in different cases, but what percentage is it?—A. It would depend a great deal upon what length of haul the originating line would have, what it would have allowed to it; for instance, if the three different lines were 100 miles long each, the originating carrier and the delivering carrier would of course get a larger proportion of the through rate than the intermediate carrier.

Q. How much larger?—A. That would depend entirely upon the class of delivery service that it would want.

Q. Let us take carloads first, and then less than carload lots?—A. Perhaps the Harbour Commissioners Railway in Montreal is an example. On export freight going to Montreal we will say the rate was 50 cents per hundred pounds, an arbitrary of 3 cents per hundred pounds would be deducted from the 50 cents before the other lines would start to pro rate, and that 3 cents which was deducted would be added to the delivering line's percentage, but the division of the rate would not necessarily be made in any case on a mileage basis. It is often a pro rate of the local rate that applies; in other words, if there are two lines, one with a rate of \$1 and another with a rate of 50 cents, it might be pro rated on a mileage basis, on what we call a pro rate, pro rating the rate on a basis of one dollar and fifty cents, one dollar on the one line and fifty cents on the other, although the rate might be only 25 cents of itself.

Q. After that very lucid explanation, we can all see what a simple and easy business that of a freight traffic manager is.—A. It is pretty hard to make the thing clear, but I think it is perfectly clear to all the railway men that are here.

By the Chairman:

Q. He says you are very ingenious?—A. If we were going to divide a rate we will say with the Canadian National Railways, probably Mr. Hayes and myself would lock ourselves up for an afternoon, and we would trade away until we got it settled, each one claiming as much as he could for his own particular service.

By Mr. McGeer:

Q. All of your expenses on the British Columbia section are paid on the freight originating there?—A. No, sir. While I question your right to ask me any questions at all—

By Sir Henry Drayton:

Q. I am asking the questions for him.—A. On that understanding, I say we do not keep any accounts of that character, subdividing any revenues between sections, or operating results.

Q. But as a result the western district, which would be British Columbia, is charged with the whole of it, because you do not pro rate your expenses over the whole line?—A. No, because we do not charge it at all, sir; we are not operating a separate railway in British Columbia. Our lines in British Columbia are part of the whole machine.

Q. But in these figures, which I might call your efficiency figures, it is for your operators to say whether they are getting proper results or not; in effect the expenses in the province would be chargeable to terminal expenses?—A. No.

Q. It would be charged anyway west of Fort William?—A. It would not be even that, as far as our book-keeping and accounting systems are concerned; that would not be done.

Q. But in connection with these other statistics?—A. Sir Henry, the idea is this, that we adopt a standard of statistics. If we do not vary these statistics, if we do not vary the units that made up that standard, one year will compare with another.

[Mr. Lanigan.]

That is the whole reason for these statistics. They are not accounting figures, and they have never formed any part or portion at any time of our accounts.

By Mr. McMurray:

Q. What do you mean by varying your standards?—A. I simply mean that if you adopt a certain system of comparison, one year with another, although it may not be a correct one, and it might not give correct results, it does not vary when one year compares with another, just the same as in a controversy, if two equal things are incorrect, one on each side, and you keep carrying that in correction on, the standard of comparison one year with another is just the same.

Q. You said to-day that you might be \$20,000,000 out. Is that for one year?—A. I said the results might be \$20,000,000 out.

Q. Do you really mean that after making the most careful compilation you can you would be \$20,000,000 out in a year?—A. On that basis, yes.

Q. Is that only an estimate?—A. Take the estimate that was made, that the net profits for western lines was \$31,000,000.

Q. What use would that be to anybody?—A. I did not make that estimate. It was made and submitted by Mr. Symington. He said the net profits on western lines was \$31,000,000 and the net profit on eastern lines was \$11,000,000, making a total of \$41,000,000. The company's net profit, as shown by the books, was \$34,000,000.

Mr. Hudson, you were speaking about the Crowsnest cost of construction. I have been asked to deliver this letter to you.

By Sir Henry Drayton:

Q. Something was to be put in evidence with respect to the New Brunswick potatoes. Mr. Caldwell was very anxious to get that?—A. It will take considerable time to compile the information in that connection.

Sir HENRY DRAYTON: Mr. Chairman, the New Brunswick people are entitled to that information.

The CHAIRMAN: What is that?

Sir HENRY DRAYTON: Mr. Caldwell is particularly interested in the potato movement. He wanted to know the volume of movement of potatoes for export and interprovincial trade. There is a large movement of potatoes from New Brunswick to Ontario. I think Mr. Caldwell is entitled to that information.

By the Chairman:

Q. Could you easily furnish that, Mr. Lanigan?—A. I have asked our office to get it out, but I do not know how long it will take.

By Sir Henry Drayton:

Q. You can tell whether they go to Ontario or not?—A. I know now that they do go to Montreal, and that some of them do go to Ontario.

Q. I remember that while I was on the Railway Board those particulars were furnished in connection with the case of potato growers of New Brunswick, the number of cars moving in Ontario, the number of cars moving in Quebec—I may be wrong about the Quebec movement, but I know we had particulars of the car requirements for Ontario and for Maine in connection with the movement in New England?—A. I am compiling a statement now showing the total shipments of potatoes in every province for the year 1921, and the total receipts of potatoes in each province.

Q. Perhaps that could be given to the Chairman?—A. We were within two months of the end of the year when I left the office.

The CHAIRMAN: Mr. Porter gave us some general information.

Sir HENRY DRAYTON: He could not tell us about this.

[Mr. Lanigan.]

WITNESS: The potato movement varies from year to year. I remember one year when potatoes were actually shipped to the Northwest from New Brunswick, and another year when they were shipped from Edmonton down to St. Louis, Missouri, and Kansas City.

Q. It is a heavy movement?—A. It depends on the potato market.

Q. It is a movement in which New Brunswick is intensely interested?—A. More so now because her market to the south is closed.

Mr. McGEER, K.C.: Are there any divisional figures—

Mr. MACDONALD: Mr. Chairman, divisional figures have been discussed for three days.

WITNESS: I recommend, Mr. McGeer, that you go back to the Federal Department for appointment on this Committee before you ask me any questions. You do not allow me to be represented by counsel, and yet I am harried by counsel all the way through.

By the Chairman:

Q. You will send that statement in when it is finished?—A. Yes.

By Mr. McMurray:

Q. Mr. McGeer during his evidence this morning said that rates had nothing to do with the operating costs on the prairie. I gathered that was a statement made by the Board of Railway Commissioners at some time or other. Do you agree with that statement?—A. I think there are three things that make rates, and those are what Mr. George Olds, a very old traffic manager of the Canadian Pacific Railway, used to call the "Three C's.": Conditions, circumstances and competition. You cannot segregate the cost of carrying a certain class of traffic for one year as compared with the cost another year, and build up any kind of a tariff under which these people are interested.

Q. I was not asking you for the argument, but whether you agreed with that statement?—A. I do not agree with that statement. That is, that the rates are built on the cost?

Q. No, that the rates are not built on the costs on the prairies?—A. They are not and cannot be built on the costs. The whole rate system has to furnish a certain amount of revenue to meet the cost of operation.

Q. Are they furnished on the costs in British Columbia?—A. No.

Q. Why should they not be on the same basis as on the prairies?—A. Have you been in British Columbia?

Q. Yes?—A. And on the prairies?

Q. Yes?—A. And when you were travelling through those mountainous passes where very few people live along the track, and when you were skirting those precipices and going up and down those hills it must have been quite apparent to you that the conditions are different to what they are on the prairies.

Q. What is your conclusions?—A. Exactly similar to the one I read from the Board of Railway Commissioners the other day.

Q. Do you base your rates on the cost of operation in British Columbia?—A. There are three zones of rates.

Q. Do you?—A. To some extent, yes; because we know it costs more in British Columbia than on the prairies; any man of sense knows that just as well as I do.

Mr. McGEER, K.C.: And any time we show the costs of operation are down you say they are not a factor in making rates.

WITNESS: You have not shown it yet. I do not know whether you appear here as a lawyer or as a railway expert. If you appear as a railway expert I think you should furnish us with a statement of your railway experience before we proceed.

[Mr. Lanigan.]

By Mr. McMurray:

Q. The rates on the prairies are not based on the costs of operation, but they are based on the costs of operation in British Columbia?—A. They are in British Columbia, in so far as the costs of operation exceed those on the prairies.

Q. And as a consequence, the rates in British Columbia, you say, should be higher?—A. Yes; that was the conclusion of the Board of Railway Commissioners.

Q. Why should not the cost of operation be considered so far as the prairies are considered, if they are considered in British Columbia?—A. The rates we have both in British Columbia and on the prairies were the rates that were laid down by the Board of Railway Commissioners, the tribunal appointed by the Government for the purpose of defining what the rates should be.

Q. Then you are willing to leave it with the Board of Railway Commissioners? A. Willing! No matter how unwilling I might be, I have nothing to do but to submit, as everybody else has to submit, to the laws of this country.

Q. Do you think, in view of the fact that the rates are based in British Columbia on the costs of operation, that the same rule should apply to the prairies?—A. I cannot express any opinion. The rates on the prairies and the rates in British Columbia were laid down by this tribunal and my opinion cannot alter that fact.

Mr. McGEER: When they are high rates—

Mr. MACDONALD: Order. Mr. McGeer has been talking quite a lot.

The CHAIRMAN: I have tried to be generous to everybody, but I think we must observe procedure.

By Mr. McMurray:

Q. I just want to find out on what basis an experienced railroad man thinks the rates should be made?—A. The Board of Railway Commissioners made those rates.

By Hon. Mr. Crerar:

Q. Those rates were based more on the needs of revenue than on the costs of operation?—A. I read the decision of the Board of Railway Commissioners the other day with respect to the rates in British Columbia. That followed their inquiry, and that was their decision. I do not always agree with the conclusions of the Board of Railway Commissioners, but I must submit to them. That is as far as I can go on that question.

By Mr. Euler:

Q. When those rates are made by the Board of Railway Commissioners, as you say, you have, in a sense, perhaps, nothing to say as to what those rates should be, but you probably appeared before the Board and made certain representations. Did those representations include the factor of the cost of operation as a basis for fixing rates? What was the attitude of your railway company when appearing before the Board of Railway Commissioners?—A. Our attitude at that time was that the lack of density of tonnage, the mountainous character of the railway, and the apparent additional cost of construction justified a higher rate basis in British Columbia than existed on the prairies.

Q. Very good. And with regard to British Columbia, you asked that higher rates be given because of the costs of operation. What attitude did you take with regard to the prairies?—A. If you will excuse me for one moment: The Board did not agree with what I presented to them in that respect, and they made a very substantial lowering of the rates in British Columbia. They lowered them, I presume, to what in their judgment they considered was fair and reasonable both to the public and the carriers.

Q. I was trying to find out what your attitude was before the Board?—A. My attitude was that the rates that existed, and which they lowered, were no greater than what we should have in British Columbia.

[Mr. Lanigan.]

Q. But did you try to get the Board to recognize the principle that the cost of operation should be the basis for fixing rates?—A. No.

The CHAIRMAN: Mr. Stewart, do I understand that you have nothing further to ask?

HON. MR. STEWART: Nothing more.

The CHAIRMAN: And that you are perfectly satisfied that you have had every opportunity to ask the questions you wanted to ask?

HON. MR. STEWART: Oh, yes; I am entirely satisfied.

WITNESS: Mr. Chairman, here is a letter addressed to Mr. Hudson enclosing a memorandum with reference to the cost of construction in the Crowsnest pass.

The CHAIRMAN: Do you want this letter read?

MR. HUDSON: No, but I think in fairness to Mr. Beatty, it should go in.

The CHAIRMAN: I have received a statement from the Department of Finance, showing the subsidies paid on the Crowsnest pass, but not upon the British Columbia Southern Railway.

MR. HUDSON: This is a statement of the cost of construction. Mr. Beatty said the cost of construction was \$19,000,000. As a matter of fact, it was about \$8,000,000. I called Mr. Lanigan's attention to that fact, and he has given me a memorandum from Mr. Beatty explaining how the \$19,000,000 was made up.

MR. EULER: Branch lines?

MR. HUDSON: Yes; and other things.

WITNESS: May I make a remark about the land subsidies in British Columbia? Up to the present time those that have been sold have yielded 47 cents an acre. In the case of the Kaslo & Slocan, before we obtained the road the whole land grant had been sold by the people to whom it was given. As far as the E. & N. Railway is concerned, we bought it from the Dunsmuir interests; and what were left of the land grants and mineral rights which were given to the Dunsmuir interests were purchased by us.

The CHAIRMAN: I will put this statement in and it will be printed in the record:—

CROWSNEST PASS AND BRITISH COLUMBIA SOUTHERN RAILWAY—COST AT DECEMBER 31, 1921	
Alberta Railway (Dunmore-Lethbridge)	\$ 1,042,926 12
Crowsnest Extension	6,587,546 14
Crowsnest (McLeod-Lethbridge Deviation)	2,341,758 73
North Star Branch	329,780 87
British Columbia Southern Railway	8,907,121 27
	<hr/>
	\$19,209,133 13
Subsidy	3,404,720 00
	<hr/>
	\$15,804,413 13

By Mr. Shaw:

Q. Are the mineral rights of the C.P.R. taxed in any of the provinces?—A. I could not answer that question.

Q. Are they, as far as you know?—A. I could not answer that because I do not know anything about it. I do not think the mineral rights could be taxed.

By Mr. Macdonald:

Q. You have nothing to do with that?—A. Nothing whatever.

HON. MR. STEWART: Mr. Chairman, Mr. Lanigan was going to prepare a table showing the relative volume of business that will be covered by this special classification of commodities that is suggested in lieu of the Crowsnest pass agreement as compared to the total volume of business both with reference to tonnage and revenue.

Q. You say you can give us that?—A. I can give it to you approximately. You understand, Mr. Stewart, that those commodities might not move in the same direction or in the same volume or find the same market.

[Mr. Lanigan.]

Q. If it can be supplied with a reasonable degree of accuracy, you will supply it?—A. Oh, yes.

Q. And send it to the Chairman to be included in the record?—A. Yes.

There was one remark I was going to make with reference to the movement of grain to Vancouver. Now, there was no grain moved in any quantity except an experimental shipment to Vancouver for export up until the year 1921, last year, and it is a singular thing that that movement should have been developed at the period when the rates to Vancouver, the rail rates to Vancouver were the highest. When the rail rates were very much lower than they are to-day, there was not a pound shipped that way.

By Mr. Hudson:

Q. You use the per ton mile as a basis of calculation. Now you had a very eminent statistician named Mr. Mole in the employ of the C.P.R. and Mr. Mole seems to hold that when this rates case was up in 1920, that the per ton mile was not a very reliable measure of earnings. Do you recollect that?—A. No, I don't recollect that. It is quite possible he did not.

Q. "Taking the rate per ton mile for what it is worth, and frankly I do not attach very much importance to it because it includes a vast variety of commodities moving through different districts."—A. I used in the last hearing the gross ton mile, that is the addition of the contents to the weight of the car; the per ton per mile statistics are used by all traffic departments as a unit. It certainly gives the result to the company of moving a ton a mile.

Q. When were those factors first introduced in the rates case?—A. Which factors?

Q. The gross ton mile or the per ton mile?—A. The per ton mile factor has been used as far back as I can remember.

Q. That is the one which Mr. Mole expressed doubts about. And when was the gross ton mile used?—A. The gross ton was never used until I used it myself in the last case.

Q. You are the original discoverer?—A. I am the one that applied it to the cost sir.

An hon. MEMBER: Christopher Columbus.

The CHAIRMAN: It is used by the World now?—A. No, it is not. The interstate Commerce Commission have another factor but that factor is not so favourable to your contention, Mr. Hudson, as the gross ton mile is, but of course the gross ton mile means the cost of moving a gross ton of any character, that is the addition of the contents to the weight of the vehicle and the approximate cost of moving it.

By Hon. Mr. Stewart (Lanark):

Q. Would the figures with reference to the ton mile be accounting or statistical?—A. They would be purely statistical.

The CHAIRMAN: I don't think the Committee can be informed much more upon this point. The motion is that the evidence be reported for the information of the House. Those in favour signify by saying "aye."

Mr. HUDSON: Some one was going to ask Mr. Hayes some questions.

Hon. Mr. STEWART (Lanark): The information given by Mr. Lanigan covers what I had in mind both in reference to Mr. Hayes and Mr. Campbell.

Mr. HUDSON: Mr. Lanigan was to supply some statement.

Mr. LANIGAN: There was one you asked for the other day.

The CHAIRMAN: Will you give me a memorandum of the statements that have not been filed?

[Mr. Lanigan.]

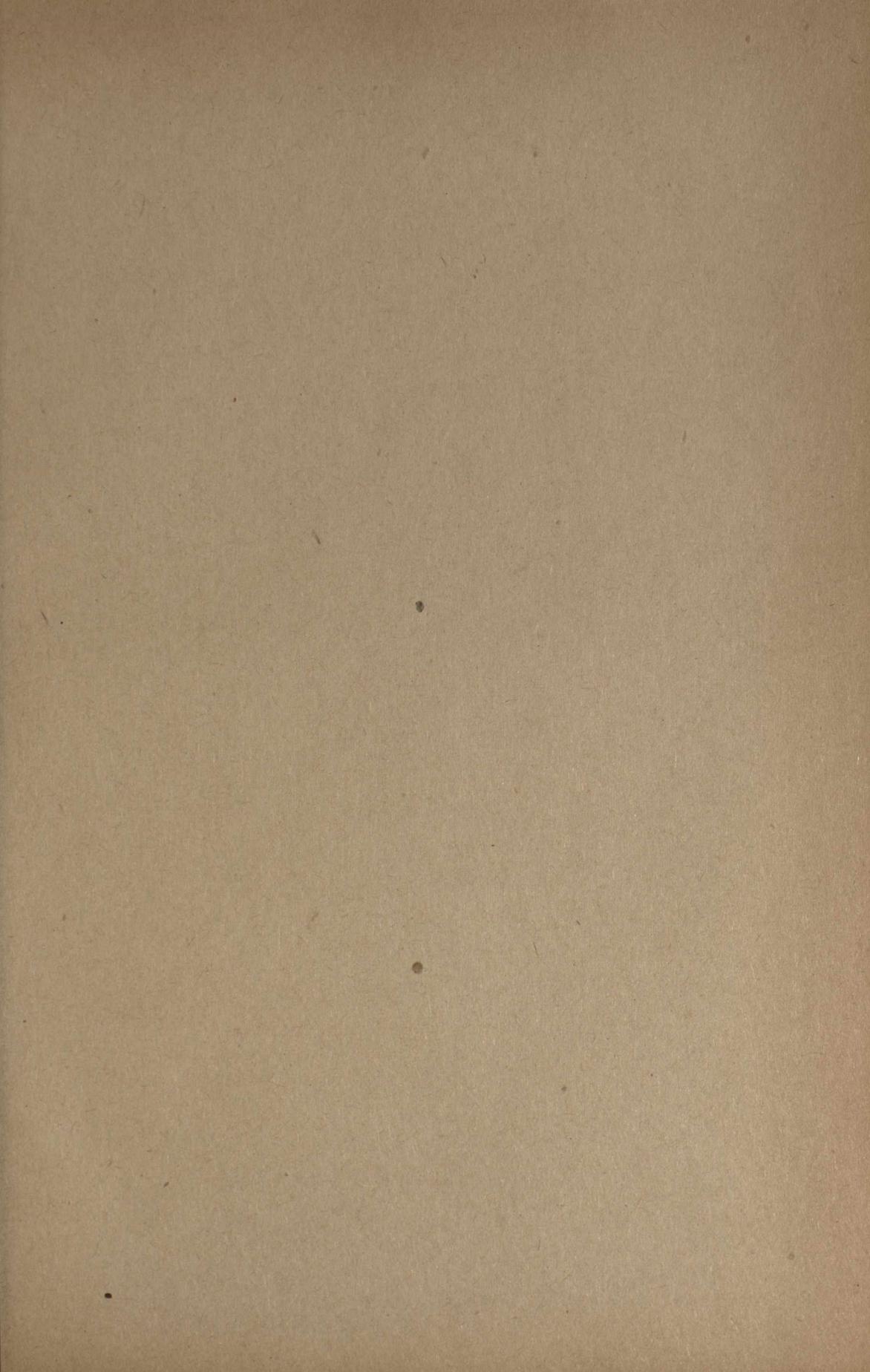
Mr. LANIGAN: They are in the proceedings

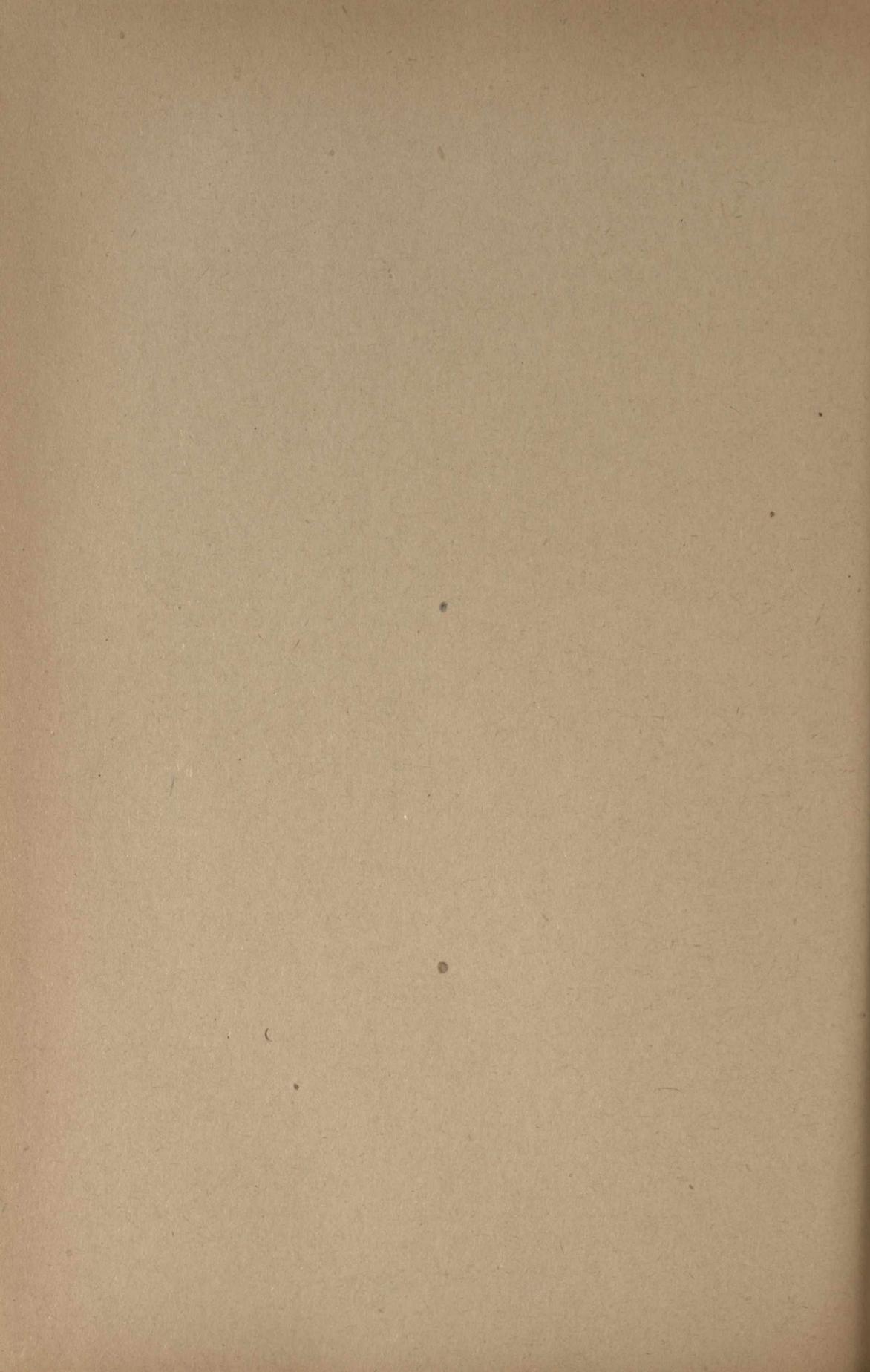
The CHAIRMAN: Between you you should know what you want and what the other is to provide. On completion of the printing of the evidence, the Committee will be called together to consider the report. The Chairman will call the meeting.

Hon. Mr. MITCHELL: When will that likely be?

The CHAIRMAN: This is Tuesday, It cannot be before Thursday, probably Friday.

The Committee adjourned.





OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER RAILWAY TRANSPORTATION COSTS

No. 15—TUESDAY, JUNE 20, 1922

NAMES OF WITNESSES

Mr. Lanigan, Freight Traffic Manager, C.P.R.

Mr. Hayes, Freight Traffic Manager, C.N.R.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM No. 425,

HOUSE OF COMMONS,

TUESDAY, June 20, 1922.

The Select Special Committee appointed to make enquiry into the question of railway transportation costs, etc., met at 10.45 o'clock, p.m., Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: The Committee will please come to order.

Gentlemen, you will remember yesterday it transpired that we were using certain statements and figures as evidence which, in fact, were not given to the Committee by any witness who had appeared before the Committee. The figures had been given by me to the Committee from statements furnished by the Minister of Railways, but on that date we did not have a reporter present and, in any event, it was not evidence. For that reason it was suggested yesterday that we recall some witnesses in order to get these facts as part of the record in the proper and regular way. For that purpose, I would call Mr. Lanigan back to make a statement to the Committee.

W. B. LANIGAN, recalled.

By the Chairman:

Q. Mr. Lanigan, since Mr. Beatty made his statement to the Committee containing suggested reductions on certain commodities there has been, I understand, a change in the railways proposals. Would you give to the Committee in concise form the changes and their effects on traffic?—A. The first change is a reduction to the head of the lakes on grain and grain products of 20 per cent. That is 20 per cent, of course, with the Crowsnest rates as a minimum, and I presume that 20 per cent would be distributed by the Board of Railway Commissioners. However, it would mean 20 per cent in our revenues, and a proportionate reduction to Vancouver for export. The reduction on forest products amounts to 16.66 per cent in the west and 20 per cent in the east, the increases having been higher in the east than in the west. We exclude coal from the head of the lakes.

By Mr. McConica:

Q. Just what does that mean?—A. Well, bituminous and anthracite coal is landed at the head of the lakes at Port Arthur and Fort William for distribution west. The trouble with our coal mines in Alberta and British Columbia is that we have more coal than we have customers; so we thought that as far as the west is concerned, to encourage the production and consumption of Canadian coal as much as we could, we would exclude coal from American sources coming in at the head of the lakes, and would make a reduction on coal from Canadian sources of supply in the west of 10 cents, 15 cents and 20 cents a ton, according to the rate that the coal happens to take to the destination to which it is going; on the short haul it would take 10 cents, on the medium haul 15 cents, and on the long haul 20 cents a ton.

By Mr. Archambault:

Q. You said there was more coal produced in the west than could be consumed. Do you mean anthracite?—A. No; bituminous and lignite.

Q. Then there will not be any reduction on coal coming from the States to the head of the lakes going eastward to Montreal or Toronto?—A. By the "head of the lakes" we mean Port Arthur and Fort William. There is no coal goes from the

[Mr. Lanigan.]

head of the lakes to Montreal and Toronto. All your coal comes in at Delson Junction and Rouse's Point, and the Niagara Frontier.

Q. There would be a reduction on that coal?—A. On the bituminous coal, not on the anthracite.

By Hon. Mr. Manion:

Q. Why that differentiation?—A. The anthracite coal is a coal that is burned for residence purposes entirely; the bituminous coal, while burned for other purposes, is largely an industrial coal. On potatoes a reduction of 16·66 per cent in the west and 20 per cent in the east. We suggested a reduction on potatoes, especially to look after the requirements of the Maritime Provinces who have been excluded from the American markets by the Fordney Bill. On building materials, brick, lime, cement and plaster 16·66 per cent in the west and 20 per cent in the east. On fertilizers, other than chemicals, the same percentage; and the same percentage on pig iron, billets, blooms, wire rods, scrap iron, and also on ores; that is, 16·66 per cent in the west and 20 per cent in the east.

By Mr. Hudson:

Q. Is there any movement of any account in the west?—A. Of ores?

Q. Yes?—A. Yes; a very heavy movement.

Q. Just in British Columbia?—A. I think it is about 22 per cent of the tonnage in British Columbia.

Q. What about the Prairies?—A. There is quite an amount of ore comes down from Northern Manitoba—

Q. Not now; they have worked the mines out?—A. I do not know anything about that.

Sir HENRY DRAYTON: Is that the best Manitoba can do?

WITNESS: I very often see advertisements from Northern Manitoba inviting me to invest my money. The only ores that move in the West are the ores in British Columbia, and those are lead, zinc and copper ores principally.

By Hon. Mr. Crerar:

Q. Is there any movement of the other items you enumerated—pig-iron, blooms, wire rods, and that sort of thing—from East to West?—A. There is quite a movement of scrap-iron in the West, and of blooms and billets to the West. For instance, Tom Deakins brings in a lot of that stuff.

By the Chairman:

Q. Can you give us in dollars and cents the effect of these reductions on these commodities?

Mr. MACDONALD: Is that the whole list?

WITNESS: Yes. On grain and grain products in the West it would mean a reduction in our revenues, based on the 1921 traffic, of \$5,354,139. On forest products (I may explain that we have already made a reduction from British Columbia to Eastern Canada which would be absorbed in this reduction) \$1,765,147.

By Mr. Hudson:

Q. You say "be absorbed". What would be the additional reduction under your proposal?—A. From Vancouver to Toronto, about 5 per cent to 6 per cent more.

Q. Than is now in force?—A. Yes; but it is pretty hard to tell what that rate from Vancouver to Toronto will be, because of the new adjustment of rates from Chicago; it will not be less than that anyway. On coal, as far as our line is concerned, it means \$476,619. On potatoes, \$115,358. On building material—brick, lime, cement and plaster—\$353,415. On fertilizers other than chemicals \$18,621. On pig-iron, billets, blooms, wire rods and scrap iron \$132,466. On ores \$122,704.

[Mr. Lanigan.]

Then I have included here international and interstate traffic at 10 per cent. That is, if our rates on international and interstate traffic are affected 10 per cent by the recent order of the Interstate Commerce Commission, it would mean \$2,220,000 in addition. Or it would make, as far as Canadian products are concerned, exclusive of international—that is, what is shipped over there or brought in from there—\$8,338,469, and with the addition of the international and interstate traffic at 10 per cent it would make \$10,558,469 which is based, of course, on the 1921 traffic.

By Mr. Malcolm:

Q. What was it on grain?—A. \$5,354,139.

By Mr. Dickie:

Q. Do not you think our fruit should have some consideration in British Columbia?—A. I am very sympathetic with the desire to extend the markets in British Columbia, but there are always rates undergoing revision outside of rates of that kind.

Q. Why not do that along with potatoes?—A. We have to meet the British Columbia fruit men every year, and British Columbia has not suffered. I can remember when you did not sell a box of apples in Winnipeg, and now you are selling them in New York.

Q. That was an unusual condition that prevailed last season?—A. (No answer)

By Mr. McConica:

Q. You make no reduction on livestock or wirefencing?—A. There has been a reduction in the rates on livestock, but no reduction mentioned in the case of wirefencing. If you give a man cheap wire rods, cheap pig-iron, cheap blooms, cheap billets, and then cheap coal and coke, he can manufacture cheaper wire fencing. I do not know whether he will do so or not.

By Hon. Mr. Crerar:

Q. The reduction in the freight on wire rods would not make any difference in the price of fencing to the farmers in the West unless the rate was also reduced on wire fencing?—A. If you reduce the rate on all the materials I have mentioned, what else goes in other than coal and coke and wire rods?

Q. Granted?—A. He has to get his pig-iron, blooms, billets and wire rods. Then he draws his wire, and if he does it with cheaper fuel, surely he can sell cheaper fencing. Then you must remember that there are two or three factories in Winnipeg manufacturing woven wire-fencing, and if they get their wire rods cheaper than they got them before, they should give you cheaper wire-fencing.

Q. They will sell in competition with eastern factories?—A. I cannot regulate that.

Q. Therefore your reduction on wire rods really does not make any reduction on wire-fencing?—A. I do not believe, and I have seen a number of rate reductions of one kind and another, that rate reductions would reduce the cost of merchandise over the counter.

Q. You stated that the recent decision of the Interstate Commerce Commission, putting into effect the 10 per cent on international business, will mean a loss to the C. P. R. of \$2,220,000?—A. Yes.

Q. On what articles will that reduction take place?—A. On everything that they have not already reduced. They have reduced all their agricultural products by 10 per cent, and now they have added this further reduction on everything. Of course, we do a large interstate business, that is a business from one point in the United States through Canada destined to another point in the United States, and also a considerable international traffic. The interstate traffic will undoubtedly be affected by whatever reductions are put in effect by the American carriers doing similar busi-

[Mr. Lanigan.]

ness. To what extent the international business will be affected by these reductions we cannot tell until we meet the American carriers and find out exactly what they are going to do.

By Mr. Archambault:

Q. Do not you think you should make a reduction on coal? We are paying as high as \$17.75 a ton in Montreal.

HON. MR. CRERAR: We are getting off lightly if we pay \$22 a ton.

WITNESS: We get the coal at Delson Junction and the Grand Trunk gets it at Rouse's Point, and the largest reduction that could take place from those junctions to Montreal on the very short switching haul would not exceed 10 cents a ton, so perhaps you will continue to pay \$17.75 a ton.

MR. MACDONALD: When they took the duty off anthracite coal it did not affect the price.

By the Chairman:

Q. You say, in effect, that the 20 per cent reduction on grain and grain product rates will affect your road to the extent of \$5,354,139, and in the case of all other basic commodities mentioned \$2,984,330, or a total of \$8,338,469?—A. Yes.

By Mr. Duff:

Q. In the list of decreases which you have read you do not mention either fruit or fish, both of which are natural products. Do not you think you should make the same decreases in the case of fruit and fish as you are making in the case of other articles?—A. I do not know. We are making a great many reductions every day. If you would represent to the carrier you are interested in that you are unable to market your fish at certain points, I am sure you will receive attention. Our idea was to make reductions on such basic commodities as have been mentioned, and we have only a certain margin.

Q. You mentioned certain natural products, and both fruit and fish are natural products which, I think should receive the same consideration as the others?—A. Of course, turnips and cabbages, and a thousand other things are natural products.

By the Chairman:

Q. In other words, this list of basic commodities is not presented by the railway company you represent as its maximum of additions to the list of basic commodities on which you propose to make reductions?—A. No, not the maximum in number.

By Sir Henry Drayton:

Q. You say that the loss to your company under the Crowsnest pass agreement, if it is put into effect, would amount to how many millions?—A. \$12,000,000, roughly.

STATEMENT FILED BY MR. LANIGAN

CANADIAN PACIFIC RAILWAY

BASIC COMMODITIES

Grain and grain products..	\$ 5,354,139
Forest products..	1,765,147
Coal, exclusive of anthracite and coal from Fort William.. . . .	476,619
Potatoes..	115,358
Building material—brick, lime, cement, plaster..	353,415
Fertilizers (other than chemical)	18,621
Pig iron, billets, blooms, wire rods and scrap iron..	132,466
Ores..	122,704
	<hr/>
International and Interstate Traffic, 10 per cent..	\$8,338,469 2,220,000
	<hr/>
Grand total..	\$10,558,469

Canadian Pacific Railway Company,
Office of Freight Traffic Manager,
(At) Ottawa, June 19, 1922.

[Mr. Lanigan.]

Q. What you are now proposing is to take the reductions which amounts to \$8,250,000?—A. Yes.

Q. How is that offer made? Is that what you concede to be the proper basis of freight rates, or are you offering this in substitution of the Crowsnest agreement, or what are you doing?—A. What we said before, Sir Henry—I don't know whether you were here, was, that as far as the Crowsnest agreement was concerned outside of the shipment of grain to Fort William, that the Crowsnest commodity no longer fitted the movement of to-day.

Q. Why do you make this offer? Is it in substitution of the Crowsnest agreement?—A. Those are the commodities which we consider will do the most good, because if you give the manufacturer cheaper iron and cheaper lumber, he ought to turn out and no doubt will turn out a cheaper commodity.

By the Chairman:

Q. Sir Henry wants to know if you are willing to accept the Crowsnest rate and give this in addition?—A. We could not do so.

By Sir Henry Drayton:

Q. I want to know where we are?—A. There is the offer of the carrier and we say that that offer will do the country generally from one end of it to the other, good.

Q. That offer is predicated on what? Is it predicated on the suspension of the agreement?—A. It is predicated on the suspension of course, because we could not give this reduction and the Crowsnest reduction, of course.

Q. It is predicated on an extension for what length of time?—A. That is for the Committee to say. I would not venture any opinion on that. In connection with the anthracite movement it is quite true what you said, Mr. Archambault, but you take other rates, where the rate is due to the cost of the furniture to the householder.

By Sir Henry Drayton:

Q. What about coal. Take Guelph?—A. You get your coal via Delson Junction and Niagara Frontier and it would only take 12 cents on the price per ton at Guelph.

Q. As I understand it was 90 cents?—A. No.

Q. What is the Guelph rate to-day?—A. I don't know what that is. If it was 90 cents it is now \$1.00. It was only advanced 10, 15 and 20 cents.

Q. Take the old Hamilton rate, 60 cents was it not?—A. Yes.

Q. What is it now?—A. I don't know without looking.

Q. I think you will find it is a good deal more than 10 cents.—A. 10 cents a ton was the advance given us by the Railway Commission on the short haul. It was a cumulative advance. It was 10 cents a ton, not percentage.

Q. There were advances in rates as far back as 1915?—A. Before that.

Q. Certainly, and I am going back to the December rate which I think was 60 cents. I think you will find the present rate is very much more than 70 cents?—A. I don't know what it is. Whatever the rate was prior, it was advanced 10 cents in the Ontario group, because Windsor, which is the farthest point, was only \$1.00.

By Mr. Malcolm:

Q. Under the Crowsnest agreement at the time the agreement was made, as regards the Western settler, he has to build a home, he has to buy implements, and he has to furnish his home and furniture was one of the commodities that was given a reduction under the Crowsnest agreement. I am interested in furniture and as you know, furniture rates to the West have been felt over the country notwithstanding what you say to the effect that general freight rates do not affect the price of the commodity. It is customary with the western dealer to consider his freight as part of his cost, and to base his profit thereon, so that the item of freight as

[Mr. Lanigan.]

regards the consumer, when the commodity reaches him, is a pretty serious item on a heavy and bulky commodity and it affects adversely the profits in the east and it makes high furniture for the settler. Now Canada is going into an immigration plan, which you, as railway people are anxious to benefit and it seems to me in view of the fact that you are asking settlers to come in and build homes, furnish homes and buy equipment for those homes, this should be considered again. The present furniture rate to the West to-day is very, very high. It is double what it used to be.—A. It is higher a great deal than what it used to be, and the price of furniture is higher too.

Q. We have reduced furniture practically 45 per cent from the peak, now, and we are not through yet. Now there has been no such reduction in the cost of carrying it and inasmuch as I say the cost of carrying it is treated as a matter of cost to the dealer; he bases his profits thereon and there is a very considerable movement of furniture to the West through the big buyers of the different qualities and different quantities and we felt that there should be some reduction given to them.—A. Then you might as well consider all the rest.

Q. I mention that because it is one of the bulky items. I was just wondering what the railways thought they could do. I just want to know what the attitudes of the railways are. In giving that up I think the furniture interests are giving up a very big thing. I don't think there is any one in the House of Commons to whom that agreement means as much as it does personally to me in my business, because I go West every year and I know the freight rates very well, the cost of laying stuff down at any rate, and it has been adversely affecting the business lately.—A. I venture to say that the freight rates on any article on which you say the sale has been stopped, that such has been hindered by some other thing than the freight rate.

Q. We used to get a rate of \$2.08 to Vancouver on car load lots. Give the dealer credit for being very, very low in his ideas of profit. None of them would work under 50 per cent. That becomes a \$3 item.—A. He charged 50 per cent on the rate.

Q. He charged 50 per cent on the laid-down cost. To-day the rate to Vancouver is \$4, and he puts 50 per cent on that. He puts more, as a matter of fact.—A. He is making more money on the freight rate than we are making.

Q. I submit the system is wrong. I don't agree with the system at all, but the fact remains that it has been a detriment to business.

Mr. ARCHAMBAULT: Why not change the system?

By Mr. Malcolm:

Q. I would like to know what the feeling of the railways is on this.—A. To be perfectly frank with you, we would not want to make any reduction on furniture. We make a reduction now on settler's effects. We carry it at a low rate out to the northwest. We would not care to make reduction on a light and bulky article. When you take a special kind of car and when you get that special kind of car out to the West, the West has no product with which to load it, because a furniture car, as you know, has a light frame. It is not fitted for the carrying of grain. It is not fitted for the carriage of but but very, very few articles that can be carried back with it. It has to be returned to us again because there is no carriage of light and bulky freight from the West.

Q. We load furniture in the big cars. We are not getting very many foreign cars any more.—A. We have had to build them for the use of this light and bulky stuff.

Q. The big furniture and automobile car does not represent 5 per cent of the gross west. We hardly ever see one of those big foreign cars any more.—A. That is quite possible as far as your own business is concerned.

[Mr. Lanigan.]

By Mr. Boys:

Q. You say you offer these reductions having in view the suspension of the Crowsnest pass agreement?—A. Yes.

Q. Which we know affects the Canadian Pacific Railway only?—A. As far as grain is concerned.

Q. Now supposing you had the obligations imposed on you by the Crowsnest, would you still feel that you could offer those rates?—A. If the Crowsnest was not there at all?

Q. Yes.—A. Yes.

Q. You still would?—A. Yes.

Q. So then really you are not offering those rates in reduction of the Crow agreement at all?—A. I think that those rates—and it is my personal opinion—are rates that would stimulate business in the first place.

Q. You are not getting my point. I want to put it another way. Is this being done, as it were, as a quid pro quo?

By Mr. Macdonald:

Q. As an alternative?—A. Yes, as an alternative to the Crowsnest.

By Mr. Boys:

Q. I don't understand your other answer. You said you could take those rates apart entirely from the Crowsnest agreement?—A. I thought you meant supposing the Crowsnest did not exist at all, suppose there was no obligation, then it was necessary to make some rate reduction, would we make this character of rate reduction. Yes, sir. We would make that character of rate reduction, but we would not have the provisions of the Crowsnest Act to fill over and above that.

By Mr. Archambault:

Q. In a word, you would not be able to make these reductions if the Crowsnest agreement was revived?—A. No, sir.

By Mr. Macdonald:

Q. It is an alternative proposition, Mr. Lanigan? It is an alternative proposition?—A. Yes.

By Hon. Mr. Manion:

Q. Have you any reason for thinking that supposing the Crowsnest pass agreement is put up to the Railway Commission, that the Railway Commission will accept your proposition, or may they not think differently from you?—A. It is quite possible.

Q. In other words, suppose the House accepted the proposition put up by you, and we had no legislation the Railway Commission may change it completely, anyway may change a good deal of it?—A. In any event, the Railway Commission has the case before it now. I have no authority from the Railway Commission to say this, but they are waiting to see what becomes of the Crowsnest restrictions before they give their judgment, but that would not affect the decision. For instance, when speaking of fish and fruit a while ago—the Board of Railway Commissioners may take and would take into consideration those basic rates.

Q. On furniture, as Mr. Malcolm suggested a minute ago?—A. They may make in their own decision a hundred other reductions.

Q. They may leave some of these and make other reductions?—A. They may make a whole lot of other reductions on their own initiative.

Q. They would confirm those without doubt?—A. I don't think there is any doubt about it?

Q. They would not increase them, anyway.—A. I don't think so.

[Mr. Lanigan.]

Q. They could add to the list of them if they choose?

The CHAIRMAN: The Government would override the Commission anyway. If it was put in effect on the C. P. R., the Canadian National would have to follow.

By Mr. Shaw:

Q. The railway companies proposed, regardless of the Crowsnest agreement to give reductions, did they not?—A. No, not regardless of the Crowsnest.

Q. Have you read Mr. Beatty's statement to the Directorate at the last annual meeting in which he suggested that reductions on basic commodities were necessary?—A. Yes.

Q. So then I take it regardless of the Crowsnest pass agreement reductions were to be made. It was a question as to what reductions should be made on, is that right?—A. I think what Mr. Beatty conveyed to his directors was this, that he thought reductions on basic commodities would revive industry generally throughout the country but he could not recommend those reductions on basic commodities if the Crowsnest Act went into force again, because that makes reductions on certain specific commodities that are not all basic.

Q. Your contention is that if there had been no Crowsnest agreement at all we would have had no reductions, is that right?—A. Ask your question in a plain kind of way please.

Q. Regardless of the Crowsnest agreement, we were bound to get reductions in any event?—A. There are I might say, hundreds of rate reductions that are going on every week in the year regardless of anything else. You may have an idea that rates are being maintained right straight through, but I filed here—I suppose that parcel that I filed here contained 5,000,000 rate reductions that had been made since September 30th, 1920 on various things for various reasons, and it is going on every day. If you will make an inquiry at the Board of Railway Commissioners, you will find that the Railways are filing 15 or 20 or up to 100 tariffs a day containing reductions and the reasons for those reasons.

By Mr. Archambault:

Q. Did you arrive at those reductions in consultation with the other railways, the C. N. R. and the Grand Trunk?—A. Yes.

Q. They are willing to make the same reductions. You could not tell us what would be the reduction in dollars?

The CHAIRMAN: We are going to get that. We are just waiting.—A. I know their reductions are of a similar character. Their traffic differs from ours.

By Mr. Dickie:

Q. Suppose owing to the representations from this committee to the Board of Railway Commissioners, they suggest to you a decrease on the rate on fruit to British Columbia, would your company resist that, a decrease somewhat running concurrently with the decrease in the rates on lumber? This is a vital question with us. There is the Crowsnest rate, which we say and a number of other people say is altogether out of place on fruit. The same way on gasoline and lumber and on coal and on other articles.—A. We have suggested those basic commodities. There is a case before the Board now and I know that this committee could not possibly undertake to settle all the rate questions of this country. There is a case before the Board of Railway Commissioners. Now, we have selected those basic commodities because we know they are necessary to manufacture and they are necessary to agriculture. They are necessary to some parts of the country and we have selected these as we think it will bring about a business revival and the reductions on these are equivalent to our anticipated reductions. I hope it will be greater. We don't know how the labour situation is going to come out. You bring up fruit. Mr. Martell brings up fish and there are a thousand other commodities now before the Board.

[Mr. Lanigan.]

Q. My argument is that when you single out potatoes, I don't know why fruit should not be placed along side of potatoes?—A. Here is a staple industry of New Brunswick, potatoes. The Fordney Bill chopped them out of the market. Their market has been destroyed and they have to go along way to find a market, where they formerly found it at their neighbour's door. Mr. Hayes, who is as much interested as we are in the Canadian National—we thought that a reduction on potatoes was necessary under those circumstances. Now your apple business in British Columbia is not in that shape. You not only market your apples in New York, but you market them in Australia and London.

Q. We will never market any more in New York.—A. You have been marketing them there for the last two or three years.

Mr. C. A. HAYES: recalled.

By the Chairman:

Q. The railways have made an alternative proposition somewhat varied from the original proposition which came first from Mr. Beatty. Is that correct?—A. Yes.

Q. You have heard Mr. Lanigan's statement?—A. Yes.

Q. Can you restate the modified propositions in the same terms he did?—A. As affecting the revenues of the Canadian National Railways?

Q. Yes.—A. Grain and grain products west of Port Arthur, the revenues would be reduced by \$4,844,115, that is, it is a further reduction from the revenues that would result under the rates that became effective on December 1st, last.

By Hon. Mr. Crerar:

Q. That is based on last year's crop?—A. Estimating there would be the same movement this coming year as last year.

Q. What percentage is that?—A. That is a reduction of 20 per cent of the present rate. Lumber and forest products we estimate a reduction of \$1,183,440. That is applying a reduction of 20 per cent from the present rates on lumber moving in eastern Canada, and 16 $\frac{2}{3}$ per cent on the lumber moving in western Canada, and as Mr. Lanigan has already stated, making allowance for the reduction already made in certain rates from British Columbia to eastern Canada. That is taken up in the proposed reduction. Coal and coke, exclusive of anthracite coal, coal from the head of the Lakes, estimated reduction \$484,843. Building material, including cement, brick, lime and plaster, an estimated reduction of \$289,002, based on a reduction of 20 per cent from the rates prevailing at the present time in eastern Canada.

By Mr. McMurray:

Q. What is your percentage on coal?—A. It is reduced by specific rates per ton now. It is not reduced on percentage. In the general increase obtained in 1920, we did not obtain an increase in the coal rate. The increases were made at so much a ton. I think up to 80 cents a ton the rates were increased by 10 cents; 80 cents to \$1.50 by 15 cents and over \$1.50 by 20 cents a ton. Our increased rates on coal in Canada were not increased I think, more than 10 per cent.

Q. What would the decrease be?—A. The same decreases, 10, 15 and 20. Potatoes, estimated decrease \$80,000 from the present rates, that is applying the percentage of 20 per cent. Ores, pig iron, scrap iron, billets, blooms, ingots, nails, wire rods, fertilizers, \$90,000. That you say is a movement that pertains more particularly to eastern Canada and a proposal of reduction of \$90,000 means generally speaking, a reduction of 20 per cent from the present rate.

By Mr. Archambault:

Q. No separate figures for ores, scrap iron and fertilizers?—A. I have not them here. We work out the details. That makes a total reduction on basic commodities,

[Mr. Hayes.]

including grain and grain products, of \$6,971,400, of which grain and grain products contribute \$4,844,115, and the other basic commodities as listed contribute \$2,127,285. In addition, the loss we estimate we shall sustain on international traffic, due to the application of the recent decision of the Interstate Commerce Commission in the matter of American rates which will apply to international rates, amounts to \$1,250,000, or a total reduction in revenue as estimated by Mr. Hanna of \$8,221,400.

By the Chairman:

Q. When does the international reduction come into effect?—A. We anticipate it will come into effect on the 1st July. It was ordered by the Interstate Commerce Commission to take effect in the United States on the 1st July.

By an hon. Member:

Q. That estimate is based on the fall of 1921?—A. Yes.

Q. What scale of wages do you figure upon,—the same as in 1921?—A. No; we shall benefit, so far as the wages are concerned, by the reduction that took effect on the 15th July, 1921.

Q. That was not figured in your estimate?—A. That is simply a loss in gross revenue that I am giving you.

By Mr. Hudson:

Q. How do you expect that loss to be made up?—A. We anticipate that we shall benefit by a reduction in our operating costs through the reduction in wages that took effect last year, from which we are benefiting now, and also from the reduced cost of materials.

Q. The reduction made last year was about 10 per cent was it not?—A. Yes.

Q. What will that mean in dollars and cents on your labour cost for 1922?—A. I have not those figures.

Mr. HUDSON: Have you got the annual report of the Canadian National there, Mr. Chairman?

WITNESS: Has not that already been given in evidence?

Mr. MALCOLM: It would mean about half this reduction.

Mr. MACDONALD: Under the head of "Operating Labour," for the Canadian Northern and Canadian Government Railways and Grand Trunk, the total cost is \$82,000,000 odd.

Sir HENRY DRAYTON: That is the whole system?

Mr. MACDONALD: Yes.

WITNESS: That is the Grand Trunk Pacific, not the Grand Trunk.

By Mr. Hudson:

Q. That would mean that for the full year of 1922 there would be a saving over last year's expenditure of \$4,000,000 more than you saved last year?—A. I would not undertake to say. You are referring to the item of wages now?

Q. Yes?—A. I think a statement was filed with the Committee that gave an estimate of the saving.

Q. And that is without taking into consideration additional wage reductions which may be made this year?—A. Yes; we have not taken that into account.

Q. Nor have you taken into account the savings which may be made in the cost of supplies, and so forth?—A. Yes; we have pretty well taken that into account.

Q. I suppose you expect to make savings in operations in other ways, too, do you not?—A. Yes.

Q. I think Mr. Hanna mentioned that already this year you had saved a large amount over last year, about \$14,000,000?—A. Not \$14,000,000; it was estimated that we might save \$14,000,000 on the total.

[Mr. Hayes.]

By Mr. Macdonald:

Q. What is your estimate of the amount of revenue that will be lost to your company if the Crowsnest pass agreement remains in force?

Sir HENRY DRAYTON: I think we have that.

WITNESS: \$10,200,000.

By the Chairman:

Q. Where does this proposed reduction on basic commodities carry you back?—A. On the basic commodities other than grain it carries us back to the August, 1918, rates.

Q. That is, the 35 per cent and the 40 per cent increases would be wiped out?—A. Would disappear.

By Mr. Hudson:

Q. The rates that were established in August, 1918?—A. Yes.

Witness retired.

STATEMENT FILED BY MR. HAYES

POSITION OF CANADIAN NATIONAL RAILWAYS

How Mr. Beatty's 20 per cent reduction from present rates on grain and grain commodities and other basic materials would affect revenues.

Grain and grain products, west of Port Arthur	\$ 4,844,115
Lumber and forest products	1,183,440
Coal and coke, exclusive of anthracite coal and coal from Head of Lakes	484,843
Building material: cement, bricks, lime, plaster	289,002
Potatoes	80,000
Ores, pig iron, scrap iron, billets, blooms, ingots, rails, wire rods, fertilizers	90,000
Total	\$ 6,971,400
Grain and grain products	4,844,115
Basic commodities	2,127,285
In addition, there will be a loss on international traffic of	\$ 1,250,000
Total reduction in revenue estimated by Mr. Hanna	\$ 8,221,400

W. B. LANIGAN, recalled.

By Sir Henry Drayton:

Q. Mr. Lanigan, you are making a reduction now of 20 per cent in connection with Canadian grain rates. I would like to know how that compares with the reductions that have been put into effect on grain rates in American territory?—A. A great deal more. Their reduction on agricultural products was 10 per cent, roughly.

Q. You propose a reduction of 20 per cent as against their 10 per cent. Their 10 per cent was taken on what basis of rates?—A. On the basis of rates of their last increase.

Q. When was that?—A. I think it was in May, 1920; May or June.

Q. Compared to our last increase?—A. Of September, 1920.

Q. In other words, their last increase was put up prior to our last increase?—A. Yes.

Q. How were the grain rates then left, relatively? Was there a greater increase in Canadian grain rates than in American grain rates as the result of those increases, or was it less?—A. There was a greater increase per bushel in the American grain rates in the West than there was in ours.

Q. And being percentage increases, they were to that extent higher?—A. Yes; their rates were higher originally, and the increase being the same, naturally the grain increase was greater than ours.

Witness retired.

[Mr. Lanigan.]

The CHAIRMAN: Gentlemen, I have a letter from Mr. Watson of the Grand Trunk enclosing a statement of the same nature as that just given to us by the two witnesses that have appeared this morning. Mr. Watson was asked to produce this. I suppose it is satisfactory to the Committee if I read it and have it inserted in the record:— (Reads.)

GRAND TRUNK RAILWAY SYSTEM
CANADIAN LINES

STATEMENT showing amount of reduction on selected commodities (Canadian traffic) carried during year 1921 at rates made effective December 1st, 1921, revised to rates in effect prior to September 13th, 1920.

Lumber..	\$ 326,502 01
Bituminous coal..	370,394 04
Coke..	30,383 07
Building materials: cement, lime, brick, plaster..	263,587 99
Pig iron, scrap iron, billets and blooms..	46,689 62
Cordwood for chemical plants..	7,646 29
Fertilizers, not chemically prepared..	8,585 97
	<hr/>
Total..	\$1,053,788 99
	<hr/>
Actual 1921 revenue on above commodities based on rates effective December 1, 1921..	\$7,538,278 12
If rates immediately prior to September 13, 1921, were reinstated	6,484,489 13
	<hr/>
Shrinkage..	\$1,053,788 99
	<hr/>
A reduction of 10 per cent in line with the recent order of the Interstate Commerce Commission on international freight traffic will, it is estimated on the basis of 1921 tonnage, mean a reduction in our net revenue of..	\$2,275,000 00

The other day I gave to the Committee a statement setting out in parallel columns the present rates on grain per bushel from representative points in the West, the proposed rates, and the Crowsnest rates, it is not yet in the record, and I think it will be well to have it put in. Also a statement of a similar nature showing the present rates to Vancouver from representative points, and the proposed reduction in rates on grain both for domestic consumption and for export.

Hon. Mr. CRERAR: Who furnished these?

The CHAIRMAN: They were furnished by Mr. Campbell of the Board of Railway Commissioners. The statement I am now passing around to you gives the Vancouver rates merely in 100 pounds.

Hon. Mr. CRERAR: This is the information you gave us last week?

The CHAIRMAN: Yes.

STATEMENT SHOWING RATES ON GRAIN AND GRAIN PRODUCTS FROM VARIOUS POINTS IN WESTERN CANADA TO FORT WILLIAM AND PORT ARTHUR, ONT.

A—Present Rates as per published tariffs on file with the Board of Railway Commissioners.
 B—Present Rates reduced by 20 per cent.
 C—Rates established under Crow's Nest Pass Agreement.

From	A Present Rates			B Present Rates Reduced by 20 Per Cent			C Crow's Nest Rates*		
	In Cents per 100 lbs.	In Cents per Bushel		In Cents per 100 lbs.	In Cents per Bushel		In Cents per 100 lbs.	In Cents per Bushel	
		Wheat	Oats		Wheat	Oats		Wheat	Oats
Winnipeg.....	17	10.2	5.7	13½	8.1	4.5	14	8.4	4.7
Portage la Prairie.....	19	11.4	6.4	15	9.	5.1	15	9.	5.1
Brandon.....	21	12.6	7.1	17	10.2	5.7	16	9.6	5.4
Boissevain.....	21	12.6	7.1	17	10.2	5.7	16	9.6	5.4
Souris.....	22	13.2	7.4	17½	10.5	5.9	17	10.2	5.7
Virden.....	23½	14.1	7.9	19	11.4	6.4	18	10.8	6.1
Broadview.....	26	15.6	8.8	21	12.6	7.1	18	10.8	6.1
Yorkton.....	27	16.2	9.1	21½	12.9	7.3	19	11.4	6.4
Regina.....	29	17.4	9.8	23	13.8	7.8	20	12.	6.8
Weyburn.....	29	17.4	9.8	23	13.8	7.8	20	12.	6.8
Swift Current.....	31	18.6	10.5	25	15.	8.5	22	13.2	7.4
Maple Creek.....	32½	19.5	11.	26	15.6	8.8	23	13.8	7.8
Saskatoon.....	33½	20.1	11.3	27	16.2	9.1	26	15.6	8.8
Medicine Hat.....	33½	20.1	11.3	27	16.2	9.1	24	14.4	8.1
Lethbridge.....	35	21.	11.9	28	16.8	9.5	25	15.	8.5
Calgary.....	36	21.6	12.2	29	17.4	9.8	26	15.6	8.8
Edmonton.....	36	21.6	12.2	29	17.4	9.8	30	18.	10.2
Column.....	1	2	3	4	5	6	7	8	9

Certified Correct,
 "A. E. CAMPBELL,"
 Chief Traffic Officer.

STATEMENT SHOWING RATES ON GRAIN AND GRAIN PRODUCTS FROM VARIOUS POINTS IN WESTERN CANADA TO VANCOUVER, B.C.

A—Present Rates as per published tariffs on file with Board of Railway Commissioners.
 B—Present Rates reduced by 20 per cent.

	On Grain for Domestic Consumption						On Grain for Export					
	A			B			A			B		
	Present Rates			Present Rates Reduced 20 Per Cent			Present Rates			Present Rates Reduced 20 Per Cent		
	In Cents per 100 lbs.	In Cents per Bushel		In Cents per 100 lbs.	In Cents per Bushel		In Cents per 100 lbs.	In Cents per Bushel		In Cents per 100 lbs.	In Cents per Bushel	
	Wheat	Oats		Wheat	Oats		Wheat	Oats		Wheat	Oats	
Calgary.....	46	27.6	15.6	37	22.2	12.5	31	18.6	10.5	25	15.0	8.5
Edmonton.....	46	27.6	15.6	37	22.2	12.5	31	18.6	10.5	25	15.0	8.5
Vegreville.....	46	27.6	15.6	37	22.2	12.5	33½	20.1	11.3	27	16.2	9.1
Lloydminster.....	49	29.4	16.6	39	23.4	13.2	35	21.0	11.9	28	16.8	9.5
North Battleford.....	55	33.3	18.7	44	26.4	14.9	37	22.2	12.5	29½	17.7	10.0
Saskatoon.....	57½	34.5	19.5	46	27.6	15.6	39½	23.7	13.4	31½	18.9	10.7
Camrose.....	46	27.6	15.6	37	22.2	12.5	33½	20.1	11.3	27	16.2	9.1
Stettler.....	46	27.6	15.6	37	22.2	12.5	33½	20.1	11.3	27	16.2	9.1
Hanna.....	46	27.6	15.6	37	22.2	12.5	36	21.6	12.2	29	17.4	9.8
Kindersley.....	54½	32.7	18.5	43½	26.1	14.7	36	21.6	12.2	29	17.4	9.8

Certified Correct,
 "A. E. CAMPBELL",
 Chief Traffic Officer.

Hon. Mr. CRERAR: Mr. Chairman, will it be necessary for the shorthand reporter to remain?

The CHAIRMAN: No.

Discussion followed.

The Committee adjourned.

OFFICIAL REPORT OF EVIDENCE

TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 16—SATURDAY, JUNE 24, 1922

NAME OF WITNESS

Mr. Hayes, Freight Traffic Manager, C.N.R.



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922

COMMITTEE ROOM 425,
HOUSE OF COMMONS,
SATURDAY, June 24, 1922.

The Select Special Committee appointed to make enquiry into the question of railway transportation costs, etc., met at 10.30 o'clock, a.m., Hon. A. K. Maclean, the Chairman, presiding.

The CHAIRMAN: The Committee will please come to order.

Gentlemen, the notices which were sent out yesterday calling this meeting for to-day intimated the recalling of Mr. Hayes, for which I am responsible, and perhaps I should explain to you why it was done. Yesterday morning, in going over certain figures in the report it appeared that there were some errors, or possible errors of calculations, which, it seems to me, should be cleared up one way or the other before we proceeded to submit our report in its final form. Mr. Yates worked over the same very carefully yesterday, and thought there was a very substantial error. In view of this I considered it would be better to call Mr. Hayes here and have it made clear, and I purpose putting certain questions to Mr. Hayes. These questions have relation to the figures estimating particularly the loss between the adoption of the Crowsnest rates on grain and the proposed rates which were stated in the Committee, and are so set forth in the evidence to be about \$5,500,000 in rough figures.

C. A. HAYES, Recalled.

Mr. MACDONALD: On what page of the evidence does that statement appear?

The CHAIRMAN: Part of it refers to Mr. Hanna's statement on page 70.

Mr. BOYS: It is arrived at by deduction, is it not?

The CHAIRMAN: Yes.

Sir HENRY DRAYTON: Mr. Chairman, it has just occurred to me that Mr. Hayes did not give this evidence. My recollection is that it was given by Mr. Lanigan. I do not know whether you are calling Mr. Hayes to contradict Mr. Lanigan or for the purpose of interpreting Mr. Lanigan's evidence?

The CHAIRMAN: No; Mr. Lanigan's statement is not subject to correction at all, so far as I can see.

Sir HENRY DRAYTON: What is Mr. Hayes here for? If Mr. Lanigan has sworn to anything that is wrong we should have Mr. Lanigan back here again.

The CHAIRMAN: I did not say Mr. Hayes was called to correct Mr. Lanigan's statement, but the statement of the Canadian National Railways.

Sir HENRY DRAYTON: I think my recollection is right, that Mr. Lanigan gave that evidence.

By the Chairman:

Q. Mr. Hayes, when Mr. Hanna was here—

Sir HENRY DRAYTON: Please refer to the page, Mr. Chairman.

The CHAIRMAN: I am referring first to Mr. Hanna's statement on page 70.

Q. When Mr. Hanna was here on the first occasion, Mr. Hayes, he stated that in the event of the Crowsnest Pas agreement again coming into effect the loss to the Canadian National Railways on grain and grain products was estimated at \$8,606,453, as compared with the actual revenue earned on the same traffic in 1921. Is that correct?—A. Yes; that is correct as per his statement on page 70 of report No. 3.

Q. Is that figure of \$8,606,453 the figure that corresponds with Mr. Beatty's statement of \$7,159,537 as the Canadian Pacific Railway's loss on grain and grain

products under the Crowsnest rates?—A. No, I do not understand it to be. I think a misunderstanding may have arisen due to the fact that Mr. Hanna's statement of \$8,606,453 was intended to represent the decrease in revenue that would result from the actual revenue derived from the handling of the grain and grain traffic west of Port Arthur in 1921 on the rates as were in effect throughout that year. That is, there were eleven months in which the rates were carried on a basis of 130 per cent, and one month on a basis of 120 per cent of the 1918 rates. It is my understanding that the evidence as given by Mr. Beatty on page 46 of report No. 2—

Mr. SHAW: Perhaps the witness could read that evidence, Mr. Chairman.

The CHAIRMAN: Yes.

Q. Please read that evidence?—A. You will notice on page 46 of Report No. 2 that Mr. Beatty prefaces the figure of \$7,159,537 by the words "assuming our grain traffic to be the same this year as in 1921, that the Crowsnest rates were effective throughout the year, the reduction in our revenue would therefore be \$7,159,537." He was evidently speaking there, in making that deduction, of the rates now in effect and not as were in effect for eleven months of 1921, because if you go back you will see he states that "when the Crowsnest rates were effective on western grain our per ton mile earning was .619 cents, which, if applied to our western grain movement for 1921 would show a revenue of \$19,024,418, whereas our actual earnings on western grain in the year were \$28,101,934.28;" so there is a difference there of a little over \$9,000,000, which corresponds to the \$8,606,453 which Mr. Hanna gave in evidence.

Q. So that the corresponding figure for the Canadian National Railway would be what?—A. The figure for the Canadian National Railway corresponding to the \$7,159,537 would be \$6,863,190.

By Sir Henry Drayton:

Q. What page of Mr. Beatty's evidence do you get that figure from?—A. What figure?

Q. The figure of \$6,000,000 odd?—A. That is evidence I am giving as to the Canadian National figures.

Q. What do you say it is?—A. \$6,863,190.

By Hon. Mr. Manion:

Q. What does that figure represent?—A. That represents a difference in the revenue that would result to the Canadian National Railway if Crowsnest rates were applied instead of the present rates.

Q. As applied to the traffic of 1921?—A. Yes.

Q. Is that meant to be a different figure from what Mr. Hanna gave on page 70: "The decrease in freight revenue, estimated at \$23,318,955, would be apportioned between the various classes of traffic substantially as follows:—Grain and grain products west of Port Arthur, \$8,606,453"?—A. I have tried to explain that \$8,606,453 is the reduction that would result from the actual revenue we derived in 1921, but the \$6,863,190 would represent the decrease that would result from the application of Crowsnest rates to the present rates, bearing in mind that there was a reduction in December.

By the Chairman:

Q. Is this correct, that in that \$8,606,453 estimated by Mr. Hanna no deduction was made for the reduction made in December 1 of last year?—A. No; we estimate that \$1,743,263 has already gone over the dam.

By Mr. Macdonald:

Q. You say Mr. Hanna's \$8,606,453 was based on a comparison made with the rates in effect in 1921 previous to the reduction in December last?—A. Yes.

[Mr. Hayes.]

By the Chairman:

Q. Then the estimated loss of \$6,863,190 of the Canadian National Railway System added to the estimated loss of \$7,159,537 of the Canadian Pacific Railway would mean that the estimated loss of both railways combined under the Crowsnest rates on grain as contrasted with the present rates would be about \$14,000,000 odd?—
A. Yes.

Sir HENRY DRAYTON: Supposing you get it right, Mr. Chairman.

By the Chairman:

Q. Give me the exact figures?

Sir HENRY DRAYTON: Apparently we are becoming very meticulous about matters appearing on this record.

The CHAIRMAN: This has resulted from Mr. Hudson's challenge.

Sir HENRY DRAYTON: Judging from the newspapers and what we hear, it all emanates from an exceedingly harmonious caucus.

The CHAIRMAN: No, it is not the result of any negotiations between the railways and the Government.

Sir HENRY DRAYTON: I did not say so. I said it was the result of a highly harmonious Government caucus.

The CHAIRMAN: You can leave caucuses out. We want to get this straightened out, anyway.

Mr. DUFF: That is pretty sour grapes from you, Sir Henry.

The CHAIRMAN: Gentlemen, this is all nonsense.

Q. That would be \$14,022,727?—A. That is correct.

Mr. MACDONALD: What is that?

The CHAIRMAN: The combined loss on grain rates.

Q. On page 589 of the evidence you put in a statement showing the establishment of grain rates at 20 per cent below present rates would cause a loss of revenue to the Canadian National Railway, estimated, of \$4,844,115. Is that correct?—A. Yes.

Q. And it is correct that Mr. Lanigan on behalf of the C. P. R. made a similar statement on page 582 of the evidence showing \$5,354,139?—A. Yes.

Q. So it would appear, would it not, that the combined estimated loss of the Canadian National and the Canadian Pacific Railways on grain on the 20 per cent reduction basis would be \$10,198,254?—A. \$10,198,254.

Sir HENRY DRAYTON: To what pages have you referred?

The CHAIRMAN: Pages Nos. 582 and 589.

By Sir Henry Drayton:

Q. You are there referring to what figure?—A. \$4,844,115 added to Mr. Lanigan's corresponding statement on page 582 of \$5,354,139, these two amounts making a total of \$10,198,254.

By the Chairman:

Q. Mr. Hayes, this is my last question: From the figures you have just given, would it not appear that the difference between the estimated reduction to Crowsnest basis and the reduction of 20 per cent off the present rates would be \$3,824,473?—
A. Yes.

Q. Of that amount, how much would be applicable to the Canadian National Railway?—A. Approximately \$2,000,000.

Q. And the balance would be applicable to the C. P. R.?—A. Yes.

Q. \$1,800,000?—A. Yes.

[Mr. Hayes.]

Hon. Mr. MANION: What were the original figures given by the Canadian Pacific Railway?

The CHAIRMAN: Just a moment, please. The deductions from Mr. Lanigan's statement would show about \$1,800,000.

Hon. Mr. MANION: For the C. P. R.?

The CHAIRMAN: Yes.

By Hon. Mr. Manion:

Q. What were your original figures?—A. Approximately \$2,000,000.

Q. Where did he get the \$5,500,000 from in the first place?—A. This last inquiry is in reference to the difference between the reductions that would result from the application of the Crowsnest rates and the revenue that would result from the 20 per cent proposal, and that difference for the two railways approximates \$3,824,473, of which about \$2,000,000 would come from the Canadian National, \$1,800,000 from the C. P. R.

Hon. Mr. MANION: In your report, Mr. Chairman, you put \$5,500,000. Where does that come from?

The CHAIRMAN: Mr. Yates was associated with me in working that out and that is the correction I wish to make. Mr. Yates will explain it. He has followed it right through with me and understands it better than I do.

Mr. YATES: The \$15,000,000 figure was secured by adding Mr. Hanna's \$8,606,000 as the Crow agreement loss and the C. P. R. figure of \$7,159,000, making a total of \$15,765,000 as the combined loss of the C. P. R. and the Canadian National, should the Crowsnest rates on grain and grain products again come into effect. Then I took Mr. Hayes' figure of \$4,844,000, the 20 per cent reduction and Mr. Lanigan's figure of \$5,354,000, and the C. P. R.'s 20 per cent reduction, making a total of \$10,198,000 and deducted it from the \$15,000,000, showing an approximate difference of \$5,567,000 as the difference between the 20 per cent off present rates and the actual Crow rates on grain for the C. P. R. and the Canadian National. That \$5,567,000 I find really to be \$3,834,000.

By Hon. Mr. Manion:

Q. Then you are taking on yourself the mistake that was made?—A. I made no mistake. I used figures in the evidence which were prepared from different standpoints. Mr. Hanna prepared his statement from the 1918 rate standpoint, and Mr. Beatty prepared his off current rates. Mr. Hanna arrived at that figure of \$8,606,000 by including the loss which is attributable not to rates on grain but to the fact that rates this year are reduced 10 per cent under last year, any how and in the same manner that figure was added to the \$6,800,000 and made \$8,600,000. The C. P. R. included an item of \$1,700,000 which is not due to the Crow rates at all, but to a reduction made by the Board of Railway Commissioners on December last.

By Hon. Mr. Crerar:

Q. Mr. Beatty's statement of the difference that would result in putting in the Crow rates on grain was compiled taking into account the reduction that was made in December last?—A. Yes.

Q. Mr. Hanna's figures were compiled without taking that into account?

Mr. YATES: Yes. In Mr. Beatty's statement, he had both figures set out. I added the two figures together to make the total and they were arrived at from different sources, so that 20 per cent off was \$4,800,000 and that was two-thirds of the Crow rate, so if that was two-thirds of the Crow rates, \$8,600,000 was a good deal more than two-thirds.

[Mr. Hayes.]

By Sir Henry Drayton:

Q. Supposing you are looking at the question from the standpoint of revenues of the Canadian National's last year's business, never mind how reductions were brought about, is this estimate of \$23,318,955 correct?

Mr. HAYES: That estimate was prepared on the basis of restoring the Crowsnest rate. I think a little explanation is due there. That estimate was prepared on the basis of the Crowsnest rates being restored on grain and on all rates, according to the limitations in the Board's order of 1920 which said—I will quote the order.

Q. I have given you all that. I say irrespective of how the result is obtained, whether it is Crowsnest or anything else. I want to see if your figures are true or whether they are misleading. Are those figures correct?—A. They are correct on the basis on which they were prepared.

Q. Let us have it again. That is a reduction in revenues which you have, bulking all those causes together. In other words, you have your 10 per cent reductions and you have your Crowsnest agreement in that \$23,000,000?—A. And there was the anticipated reduction which would follow if the Board gave effect or if the General Order No. 308 were carried out. The restriction placed by the Board was (reads):

“As our jurisdiction for granting increases on certain lines of railway in Western Canada depends entirely upon the amendment to section 325 of the Railway Act, 1919, which expires on the 6th day of July, 1922, the rates hereby established cannot continue beyond that date unless Parliament, in its wisdom, sees fit to extend the provisions of that section. Therefore, the rates herein provided for shall not extend beyond the first day of July, 1922.”

Therefore the rates herein provided for was not to extend beyond July, 1922, assuming we were going back to the rates in effect in 1918 and to the Crowsnest rates \$23,833,000.

Q. Taking your last year's figures on grain and grain products as earned and on the same basis of business for the current year, including the increases already made and including the deductions which the Crowsnest agreement would bring about, what would the amount be. I want to find out how the business of one year would compare with the other, having regard to the grain traffic?—A. Our revenue would be reduced by \$8,606,453.

Q. What is the total which you say is the corresponding C.P.R. figure?—A. Something over \$9,000,000.

Q. Let us get it exact. I want to get it exact.—A. I do not like to quote C.P.R. figures but according to Page 46 of No. 2, as I understand their corresponding figure would be the difference between \$28,101,934.28 and \$19,024,418, making a difference of \$9,077,516.28.

Q. Add that to your eight million and give us your exact total, \$8,606,453.—A. \$17,683,969.

Q. So that on the basis of last year's traffic, the cumulative decreases, that is the decrease already made and the Crowsnest if made would result in that total saving to the grain business?—A. I would so estimate it.

Q. On both roads?—A. Yes.

The CHAIRMAN: I am not blaming anybody in the railway for giving us wrong figures. In a sense they were right, but I might say that it was unfortunate that Mr. Hanna's first statement was based upon last year's figure and the recession to the 1918 rate. I don't know why he puts it that way, but at any rate that was a little misleading, and when this report was drafted we had in it that the difference between the Crowsnest and the proposed rates was \$5,000,000 and possibly every member of the Committee was misled through Mr. Yates and myself and it became from five and a half million to one million seven hundred thousand dollars which was a reduction

[Mr. Hayes.]

made not by a reversion to the Crowsnest rate, but by a deduction, owing to the 10 per cent decrease of last year—you get a difference of \$3,800,000. If you deduct that \$1,700,000 from the \$5,500,000, you get \$3,804,000, which is the difference for the both roads instead of \$5,500,000 and that is what I wish to correct; the result being according to the figures, roughly speaking, the difference in revenue to the Canadian National by a reversion to the Crowsnest rates on grain only and their proposed rates would be \$2,000,000.

Mr. SHAW: Not quite.

The CHAIRMAN: Just \$2,000,000, and the C. P. R. would be \$1,800,000 or \$3,800,000.

By Mr. German:

Q. Mr. Hayes, you are speaking of course, only for the Canadian National. You and Mr. Hanna had stated that you were willing to make certain reductions in rates on basic commodities. Are you prepared to make those reductions on rates on basic commodities if the Crowsnest agreement goes into effect insofar as the carriage of grain is concerned?—A. Well, that is a rather difficult question to answer.

Q. I understood all the way through that you are not. I want to know whether you are or whether you are not.—A. I would have to submit to the wisdom of Parliament in respect of that.

Q. You would have to submit to the wisdom of the Railway Board?—A. To Parliament, as far as grain rates are concerned; as far as basic commodities, possibly to the decision of the Board of Railway Commissioners.

Q. Respective of rates on basic commodities, as I understand it those reductions are offered to be made by you in view of the fact that the Crowsnest agreement shall not come into operation.—A. Feeling at the time it was as far as we should go with what we could foresee as to the future estimated costs of operation.

Q. Supposing the Crowsnest agreement goes into operation as it affects grain and grain products, does your suggestion of reduction of rates still stand good?—A. I don't think you ought to ask me that question.

Q. I understood all the way through you were not willing to do that?—A. Are we not powerless?

Q. Powerless?—A. Yes, so far as grain and basic commodities. The general rates are subject to the Board of Railway Commissioners.

Q. You are powerless so far as the Railway Board is concerned, but you are not powerless in so far as your own voluntary proposal is concerned. You have voluntarily proposed certain deductions.

The CHAIRMAN: All that is before the Committee.

Mr. GERMAN: What I want to be absolutely definite on is this. Will that voluntarily proposal still stand if the Crowsnest Pass agreement goes into effect in regard to grain and grain products?

Hon. Mr. STEWART: Mr. Chairman, before that question is put, I suppose the Committee has the right to know in what capacity Mr. Hayes is here. Is he speaking for the Canadian National Board, or is he speaking as Traffic Manager of the road, or in what capacity is he acting here that he can answer the question put by Mr. German. We surely have the right to know who he is representing.

Mr. MACDONALD: He is representing the Canadian National.

Hon. Mr. STEWART: We want to know in what capacity he is here. The recognized head of the road came here and gave evidence. If there is going to be a declaration of what that evidence means, surely we have the right to know whether this gentleman is acting as the representative of the Chairman or who he is acting for.

Mr. MACDONALD: Mr. Hayes came before this Committee and he said to this Committee in the clearest and most unmistakable way. "We object to the Crowsnest rates on grain and other rates going into effect in lieu of that in the interest of the railway.

[Mr. Hayes.]

We propose to you that there should be a reduction upon the freight rate on grain and grain products to Fort William and in addition to that there should be a reduction of 20 per cent upon certain basic commodities." Now the question you have asked here is what the situation is in regard to the proposition of going back to the original rates on grain and grain products alone under the Crowsnest agreement. It is very important for us to know from Mr. Hayes and from the Canadian National as to whether we do go back to the rates on grain and grain products under the Crowsnest agreement, whether his railway is in position to say to us and to the country that they can give this reduction on basic commodities which they suggested.

The CHAIRMAN: I did not ask Mr. Hayes if they were going to do that.

Mr. MACDONALD: I want to find out if the Canadian National is not prepared to do that. It is going to affect our judgment a good deal. If they are, we want to know.

Hon. Mr. STEWART: Are we limited to the questions the Chairman has asked Mr. Hayes?

The CHAIRMAN: It is not a question of whether the Chairman has asked it. It is a question of whether somebody else asked it. I was not objecting to anybody else asking questions.

Mr. BOYS: We were given to understand by the officials of the Railway that if they were asked to submit to the reductions now being asked, that we could not get the reductions in the East on basic commodities which we wanted. For my part that interests me tremendously and if I am to understand that the railway can give reductions on basic commodities and can also give this special concession on grain and grain products to the West, that will have a very important effect upon my mind. If on the other hand, this represents the West only, and which Mr. Crerar moved in this Committee and which the Committee decided against, as far as I know, mainly on the ground because as far as those rates were concerned we were entitled to certain concessions. For my part, I might as well say here I am satisfied myself that this evidence brought here this morning is not for this purpose at all. It is for a totally different purpose. We know what is going on behind the scenes. We know something of caucuses and we know something of the interviews that have been taking place here and I want to register my emphatic protest against what has been going on. We are now brought here as the result of some influence entirely foreign to that purpose, and it is a totally different state of affairs. It is an affront to this Committee. It is not treating us with proper consideration. If there is any change in the figures which would warrant this Committee in any reversion of its conclusions of the other day, by all means let those figures be given to the Committee by those in authority and let them tell us after a proper consideration of the matter they can still come to the Crowsnest rate and still give us the concession they gave in other parts of Canada. If that is done, I will register my vote. If that is not done, I am not willing to register my vote because I would be making a sacrifice of interests of my own section of the country and other sections of the country which I am not prepared to do.

The CHAIRMAN: The question is a question which does not belong to this Committee or Parliament. I think the question is one that belongs to the Railway Board and not to this Committee or the House of Commons and we are usurping the functions of that body in precipitating the stand we are taking. I would like to say one word to Mr. Stewart and Mr. Macdonald, and particularly Mr. Boys, because I think you are speaking rather hastily and unjustly, and without any knowledge whatever of the facts. I have tried to correct Mr. Stewart and Mr. Macdonald and yourself by intimating to you that you were travelling ahead of the facts, and making statements on suppositions entirely.

Mr. MACDONALD: I made no statement. I simply asked a question, which I have a right to do.

[Mr. Hayes.]

The CHAIRMAN: I am not denying your right to ask questions, but I say your questions are ahead of time.

Mr. MACDONALD: I have a right to ask questions.

The CHAIRMAN: I have so stated. I want to say, Mr. Boys, that Mr. Hayes was called here by me and me alone, and no other person knew anything about it. It was due to the fact that Mr. Yates and I discovered this error. Mr. Yates worked on it practically the whole of the day, and early in the afternoon I sent for Mr. Hayes to reappear before us. It is therefore useless to say to me or anybody else that Mr. Hayes is here by reason of a suggestion by the Government or by a caucus or by anybody else, for it is not true, and I would like Mr. Boys to believe that. Mr. Hayes has not said the railways are going to adopt the Crowsnest rates on grain, and three gentlemen are suggesting that that has been stated.

Mr. MACDONALD: I did not say so. I have a right to ask questions.

The CHAIRMAN: I am not denying your right to ask questions, but I think they should be asked in proper order. It is useless to suggest that the Committee is going to adopt the Crowsnest rates.

Mr. BOYS: But there will be a motion made—

The CHAIRMAN: That is another thing.

Mr. BOYS: Let me finish. There will be a motion made which is cut and dried, and which will absolutely reverse the finding of this Committee, with no additional evidence except this slight change.

The CHAIRMAN: I want it to be understood that the figures in this report were challenged the other day by Mr. Hudson,—I do not know whether he had this in mind or not but if he did I think he should have given it to the Committee—and as the one responsible for the preparation of the report I wanted that change made. Surely there is nothing wrong about that.

Mr. GERMAN: The calling back of Mr. Hayes to make any necessary correction is quite right, but that does not affect the situation as it stands before us. Throughout this whole investigation I have understood, and I think I can point it out in the evidence, that this proposed reduction is an alternative offer made by the railway companies to get rid of the operations of the Crowsnest agreement. I wanted it made definite if I could by Mr. Hayes that that proposed reduction would not be agreed to by the railway companies if the Crowsnest agreement rate on grain is adhered to hereafter.

The CHAIRMAN: That is down half a dozen times.

Mr. GERMAN: That is the basis on which I have given my vote, and nothing has happened this morning to change my mind.

Mr. BOYS: Is it not a further fact that it further increases the deficit on the Canadian National Railways?

Mr. GERMAN: Certainly.

The CHAIRMAN: It is all on record now. There is no use going into it again. Both railways have stated that in their judgment they could not give basic rate reductions and the Crowsnest rates without suffering what they thought was undue loss in revenue.

Mr. MITCHELL: Not all the Crowsnest rates, but the Crowsnest grain rates.

The CHAIRMAN: That is what I mean.

Sir HENRY DRAYTON: I think the record as amended by Mr. Hayes is lacking in one regard. He has given us the net drops in revenue, amounting to \$17,000,000 odd.

WITNESS: Are you referring to grain?

[Mr. Hayes.]

By Sir Henry Drayton:

Q. Yes, \$17,000,000 odd plus?—A. That is the gross drop, \$17,683,969.

Q. Now, take the railways' offer, how much does that leave as against that gross profit?—A. If you take the railways' offer?

Q. The combined railways' offer of lowered rates on grain and grain products leaves a difference of how much on the operating figures of last year?—A. The drop of the Canadian National Railway from last year's actual revenue on grain to the basis that has been proposed by the railways of a 20 per cent reduction from the present rates would be \$6,587,378. The corresponding figure for the Canadian Pacific Railway (I have had to deduce certain figures from the evidence given by Mr. Beatty) is \$7,272,118; that is a total of \$13,859,496.

Q. Leaving a balance of how much corresponding with the balance of \$3,800,000 on the other basis?—A. \$3,824,473.

Sir HENRY DRAYTON: You see, Mr. Chairman, what a ridiculous conclusion is arrived at from the witness' figures.

The CHAIRMAN: Tell me what it is?

Sir HENRY DRAYTON: It is obvious.

The CHAIRMAN: What is obvious?

Sir HENRY DRAYTON: In the first place, if his figures are correct, applying the reduction merely to Crowsnest rates there is a net additional burden thrown on the railways of \$3,800,000.

The CHAIRMAN: Who told you that the rates on grain were to go back to the Crowsnest rates?

Sir HENRY DRAYTON: That is another question. I will tell you about that in a moment if you would like me to do so.

The CHAIRMAN: There is not a word of evidence to that effect.

Sir HENRY DRAYTON: The Chairman is very sensitive. He is in a very unfortunate position. He is the Chairman of an important Committee, and also a prominent member of the House. He has presided over this Committee with great care and, I am sure, has done the best he could, but he finds at the last moment that the Government are doing just what we said they should do at the commencement, making up their minds on this question and coming to a conclusion. A caucus of his party has been held, and he finds that the lower rates were adopted at that caucus. I want to congratulate the Government on taking a stand on something.

Mr. MACDONALD: You are very badly informed.

The CHAIRMAN: I can tell you, Sir Henry, that the Chairman of this Committee is not a bit sensitive, and does not seek any comfort from any one. He is merely trying to keep yourself and other members of the Committee in a logical position.

Sir HENRY DRAYTON: Mr. Reporter, please read the statement I was making when I was interrupted.

The REPORTER: "In the first place, if his figures are correct, applying the reduction merely to Crowsnest rates there is a net addition burden thrown in the railways of \$3,800,000."

Sir HENRY DRAYTON: The Chairman will observe what I said. I am not saying he is ordered to do it. The Chairman asked for an explanation of the absurdity shown by the witness' figures. I say if the Crowsnest pass rates are to be adopted—

The CHAIRMAN: We had all that in evidence before, and I had it in the report.

Sir HENRY DRAYTON: There again, the Chairman is flying off. I say his figures are absurd, and if he does not want my explanation I do not want to give it.

[Mr. Hayes.]

The CHAIRMAN: You will perhaps get an opportunity to refer to this same thing later.

Sir HENRY DRAYTON: I thought you were asking for it.

The CHAIRMAN: No; we had it in this report that the additional loss by reversion to Crowsnest rates would be \$5,500,000, and Mr. Hayes has made it clear that it should be \$3,800,000. I want to get these facts in evidence so that we can change this report.

Sir HENRY DRAYTON: I think I said that the witness' figures had shown a ridiculous conclusion, and you asked me how. If you want me to tell you how, I will do so. If you do not want me to tell you, I will not do so.

The CHAIRMAN: I am not sensitive; on the contrary, I am quite good-natured, and willing that you should proceed.

Sir HENRY DRAYTON: If you want me to show you, I will show you.

The CHAIRMAN: Go on.

Sir HENRY DRAYTON: He says, in the first instance, that in eliminating the decrease of ten, we made our mistake. Giving proper weight to that decrease of ten, we have a difference. He has just told me that if I take the gross difference, amounting to \$17,000,000 plus, there is only a difference of \$3,000,000 odd between their offer and the Crowsnest rates. How that can be worked out, I will leave to the Chairman. I think perhaps it is better to do some right figuring on this thing, and come back again.

The CHAIRMAN: The figures I wanted corrected are corrected. You are an ex-chairman of the Board of Railway Commissioners, and can follow these things perhaps with greater accuracy than I can, but are you not satisfied with the correction given by Mr. Hayes in response to my questions this morning? That is, that according to the figures of the railways, the estimated difference between the Crowsnest rates and the proposed rates on grain and grain products is about \$3,800,000 instead of \$5,500,000, which I had in the report.

Sir HENRY DRAYTON: In view of Mr. Hayes' last statement to me, I should doubt any figures given by Mr. Hayes.

Mr. ARCHAMBAULT: When Mr. Lanigan was here we asked him—and it was reported on page 585 of the evidence—whether the alternative proposed by the railway, the reduction, could be made if the Crowsnest pass rates came into force again. On page 585 Mr. Lanigan said “. . . . We would make that character of rate reduction, but we would not have the provisions of the Crowsnest Act to fill over and above that.” Then:—

“By Mr. Archambault:

“Q. In a word, you would not be able to make these reductions if the Crowsnest agreement was revived? A. No, sir.”

We had practically the same answer from Mr. Hayes when he was examined; that is, that if the Crowsnest pass rates were put into force the alternative, the reduction proposed by the railways, could not come on. I may say that I based my vote very much on this answer. Now there is a change.

The CHAIRMAN: What change?

Mr. ARCHAMBAULT: The proposal is that the Crowsnest rates should apply only to grain and grain products. Is it not necessary for the Committee to ask Mr. Hayes and Mr. Lannigan whether, if the Crowsnest rates are put on grain and grain products, the railways will be in the position to give us the alternative reductions they proposed?

The CHAIRMAN: I think they both answered that.

Mr. ARCHAMBAULT: No; there was an answer relative to the case of the Crowsnest rates going on all basic commodities and grain, but not if only applied to grain and grain products, and I think it is very important that we should know the position they now take.

[Mr. Hayes.]

The CHAIRMAN: I do not suppose Mr. Hayes can answer that.

Mr. GERMAN: Mr. Beatty could answer, I suppose.

Hon. Mr. STEWART: For whom is Mr. Hayes speaking?

Mr. MACDONALD: Mr. Chairman, you made the reference to myself a little while ago. I have no fault to find with your bringing Mr. Hayes here. I think it is very desirable, for the reason you have stated, that he should be here for the purpose of making the corrections that have been made, and I agree with you that there is no ground for criticism on that account. At the same time, I want to support Mr. Archambault's position. During the early part of the week Hon. Mr. Crerar moved in this Committee a resolution by which he asked this Committee to recommend in the House that the Crowsnest Pass agreement should go in effect in regard to grain and grain products alone. The question as to what the effect of that proposal would be upon the eastern opportunity to get lower rates on basic commodities is one we have never had any evidence upon. We have the statement by Mr. Beatty on page 52 of the evidence in which he says: "The grave objection to the re-establishment of the Crowsnest basis is that it will of necessity, we think, prevent general reductions in rates applicable throughout Canada." Mr. Beatty was speaking particularly of the application in full of the Crowsnest rates to all articles mentioned therein, including grain and grain products. Any reference that may have been made by Mr. Hayes or Mr. Lanigan or Mr. Hanna in the course of the evidence would be in regard to the application of the Crowsnest pass agreement in its entirety. We never heard in this Committee of the proposal that there should be an application of the Crowsnest pass rates to grain and grain products only until Mr. Crerar so moved in the early part of the week. It is quite evident from the proposition made by Mr. Crerar, whatever other developments there may be in the matter, that the House and this Committee ought to be advised as to what the effect upon basic commodity rates in the east, which were proposed, would be if the Crowsnest rates came into effect only as applied to grain and grain products. I submit that if Mr. Hayes cannot tell us—he should be able to speak for the C.N.R.—

Hon. Mr. MANION: I have not heard anybody propose that.

Mr. MACDONALD: Mr. Crerar moved it earlier in the week.

Hon. Mr. MANION: That was voted down.

Mr. MACDONALD: I know; but it is quite clear that that is the position taken by Mr. Crerar.

The CHAIRMAN: Put your question to Mr. Hayes, Mr. Macdonald.

Mr. GERMAN: He has been asked that question already, and he says he will not take the responsibility of answering it.

Hon. Mr. CRERAR: Mr. German asked that question, but I assume that before Mr. Hayes would answer it he would like to consult his superiors.

Mr. ARCHAMBAULT: Mr. Lanigan answered the same question, and he is not President of the Company. "We would make that character of rate reduction, but we would not have the provisions of the Crowsnest Act to fill over and above that." Then I said:—

"Q. In a word, you would not be able to make these reductions if the Crowsnest agreement was revived?—A. No, sir.

"By Mr. Macdonald:

Q. It is an alternative proposition, Mr. Lanigan? It is an alternative proposition?—A. Yes."

Mr. MACDONALD: Mr. Chairman, I have the floor.

The CHAIRMAN: Yes.

[Mr. Hayes.]

Mr. MACDONALD: There is an additional reason why this evidence should be given. We discussed this whole question, and earlier in the week we voted upon the basis of certain figures given in comparison by Mr. Hanna, which Mr. Hayes comes and tells us are in error to the extent of \$2,000,000.

WITNESS: They are not in error.

The CHAIRMAN: I probably used that word inaptly, that the comparison was made on the wrong basis. When we considered this question earlier in the week, assumed that the figures given by Mr. Hanna were correct. We have had the correction made. We find we voted on an entirely wrong assumption as far as the amount was concerned.

By Mr. Macdonald:

Q. I want to ask you in the light of the correction which you made this morning, Mr. Hayes, to those figures, and having regard to the fact that it has been suggested in this Committee that the Crowsnest Pass rates should be applicable only as far as grain and grain products are concerned, could you tell us in this Committee whether or not, if the Crowsnest rates as far as grain and grain products are concerned alone went into effect, your railway would be able to carry out the proposal that is made here, that there could be a reduction on basic commodities in the east to the extent of 20 per cent.

An Hon. MEMBER: 16.6 per cent in the west and 20 per cent in the east.—A. In the first place, do you think that is a proper question to ask me. Will you please understand in referring—

Q. Don't discuss the question. If you cannot answer it without consulting with Mr. Hanna, we will know what we are going to do. We will have to ask Mr. Hanna to come, because it is a vital question.—A. I would prefer you would ask Mr. Hanna to come, but I was going to make a statement—possibly it is not in order to make it—but don't you assume a different position towards the Canadian National than the other railways? Possibly Mr. Lanigan was in a different position speaking for the Canadian Pacific Railway than I am, but speaking to you, who are my employers and you have that responsibility—

Q. You say the C. N. R. is a Canadian Government Railway. You say that because the Canadian Government can go on and run their railway at a greater deficit than \$72,000,000 if they see fit, and you make that statement to us—what I would like to know from you or Mr. Hanna, as having charge, you of the freight rates and he as President of the road in the operation of this Railway, and having regard to the finances of the road, I want you or Mr. Hanna to tell me if you can whether you took the responsibility of coming here and making a proposal?—A. I did not.

Q. Mr. Hanna did. He came here and took the responsibility of making a proposition as an alternative of the Crowsnest Pass agreement under certain conditions. If those conditions are changed and they only relate to grain and grain products, I want to know if you or Mr. Hanna can tell us what your position would be in regard to freight rates in the east.

Mr. EULER: Why not ask him whether he has authority to speak on that point?—A. I don't feel competent to speak on that.

By Sir Henry Drayton:

Q. Am I right in assuming that the corrected figures you have given on the grain rate will not be \$5,800,000, but \$3,800,000?—A. From what standpoint are you speaking? These questions have been asked so many times and from so many different angles, I want to know from what standpoint you are speaking.

Q. You gave two sets of figures.

[Mr. Hayes.]

The CHAIRMAN: He did not do that at all. Mr. Hanna was not, strictly speaking, accurate, in the way he put it, but I made the mistake.

Mr. MITCHELL: It is not fair to say he was not accurate. He made two different statements.

The CHAIRMAN: Mr. Hanna was accurate figuring from his basis; Mr. Beatty was accurate figuring from his basis.

By Mr. Duff:

Q. We are considering two sets of figures this morning. You are giving the figures of the loss as \$5,500,000. To-day that is corrected down to \$3,800,000. Is that right? They are either wrong or right.—A. The \$3,800,000 is a loss of business estimated from the present rates. It is a difference of \$1,700,000 between the previous figures and the figures this morning.

Q. Out of that \$3,800,000 the Canadian National figures represents about \$2,000,000 in round figures?—A. Yes.

Q. When the railways made the offer of the reduction of 16 per cent in the west and 20 per cent in the east in other basic commodities, they were figuring on this \$5,300,000 instead of \$3,800,000?—A. The Committee was figuring that.

Mr. BOYS: They were figuring on the true figures, the railways were, but we made a wrong deduction.—A. I want to make sure of those.

By Mr. Duff:

Q. What I am trying to get at is this. It seems to me there is a saving here to the railways of \$1,700,000 in the two sets of figures.—A. There is no saving whatever. There is no saving as compared with the results of last year. The difference comes about from the fact that we have lost \$1,700,000 that has already gone over the dump in rate reductions that we got as a result of the Board's order last December.

By Mr. Vien:

Q. It comes down to this, that the \$5,000,000 is a loss as compared with the rates prior to the 1st of December, 1921, and that the \$3,800,000 is a loss as compared with the new prevailing rates?—A. Yes.

By Mr. Boys:

Q. I think you heard Mr. Hanna say—I think you were in the room then—that if the Crowsnest rates were put into effect it would lead to marked discrimination throughout Canada. Is that correct?—A. I think he had reference more particularly to the specific commodities other than grain and grain products that are enumerated in the Crowsnest agreement.

Q. He did not make that distinction.—A. That is what he had in mind.

Q. As a matter of fact, don't you remember him stating it would lead to a chaotic condition?—A. That referred more particularly to specific commodities, that is taking the whole Crow agreement.

Q. I think I can refer you to one paragraph in the statement. On page 70 of the statement you find this (reads) "if preferential rates on special commodities were established through the application of the Crowsnest Pass agreement it is impossible to estimate what further reductions might occur or be ordered through such rates being held to be discriminatory. Such reductions might affect not only the rates on commodities in the Crowsnest Pass territory but might in practice apply to the rates on similar or analogous commodities throughout Canada." That was his considered and written statement. That is a correct statement, is it not? He says "preferential rates on special commodities".—A. It meant commodities enumerated in the Crowsnest agreement other than grain and grain products.

[Mr. Hayes.]

Q. I remember myself distinctly going into that feature and Mr. Hanna pointing out in his opinion that it would lead to a chaotic condition, there would be unjust and uneven preference in various parts of Canada and it would be impossible to foresee what would happen as a result of that, and it might result in further reductions if you were to avoid further reductions on the Canadian National. I am confident my impression was borne out by his evidence. If you feel at liberty to answer that, do you think that is an over statement of what would happen as a result?—A. I don't think it is an over statement so far as an attempt to restore the preferential rates on commodities enumerated in the Crowsnest Agreement is concerned.

Q. You think if we confine it to grain and grain products it does not make so much difference?—A. Yes.

The CHAIRMAN: That would be about the reduction.

Sir HENRY DRAYTON: While the witness is here, I have been going over his own figures, in connection with the question I put as to the unequal differences in revenues, actual revenues based on last year's business. His own figures show actual revenues: Canadian Pacific \$28,101,934; I am now of course merely speaking of grain and grain products. Canadian Northern \$25,963,836, a total of \$54,065,770. I just added it roughly. You might find minor errors in it.—A. I am just giving the way the figures would have to be added to answer the question.

Q. Total \$54,065,770, under the Crowsnest rates as calculated, I think, by the witness, the return to the C. P. R. would be \$19,024,418; to the Canadian Northern, \$17,357,383 or a total revenue based upon last year's tonnage on the Crowsnest rates if put into effect of \$36,381,810 or a difference in the earnings of the two lines of \$17,683,969. Now the offer of the companies for reductions were as follows: Canadian Northern, \$4,844,115; Canadian Pacific \$5,354,139 or a total of \$10,198,254. The difference between the actual figures on last year's business of the lower basis of Crowsnest rates then becoming, since it was perfectly obvious—not the \$3,000,000 off, which indeed the witness gave me as less than the \$3,800,000, which was obviously incorrect, becomes a difference of \$7,485,715.

Hon. Mr. CRERAR: Might I ask a question?

The CHAIRMAN: Let Sir Henry Drayton finish his.

Sir HENRY DRAYTON: If there is anything wrong with that, let us get it right.

Mr. MACDONALD: You are basing it on last year's rates.

Sir HENRY DRAYTON: I am basing it on the proposition Mr. Hanna started out with, that is with a certain tonnage we got so much money and on that same tonnage certain results would flow. Now I have taken the witnesses own figures, which covers the C. P. R. statement on the same basis and got these results.—A. You have my figures, if I made any errors in calculation.

By the Chairman:

Q. Are your figures right?—A. I think, Sir Henry, is right, the way he puts it.

By Sir Henry Drayton:

Q. Is there any room for doubt?—A. You have \$28,101,000. You are figuring the Crowsnest now.

By Sir Henry Drayton:

Q. I am figuring the Crowsnest rates, yes.—A. \$17,683,000 is in our figures, the difference between the actual of 1921 and the Crowsnest revenue; that is right.

Q. Let us get it all exact, \$17,893,969, is it not?—A. I did not carry it out to the three points.

Q. There has been so much challenge of figures, you may be recalled again on these decimals.

[Mr. Hayes.]

The CHAIRMAN: I did not recall him on the decimals.

SIR HENRY DRAYTON: He might be the next time.

The CHAIRMAN: This will be the last time. I could not follow the question, let alone the answer, it was so long.—A. Your first is \$54,064,770.

By Sir Henry Drayton:

Q. Here are the figures.—A. The Crowsnest rates, \$36,381,801. Now you can prove your figures the other way. Crowsnest gross revenue is \$17,357,383.

Q. Here is what I make it.—A. That is C.N., C.P.R. is \$19,024,418. \$36,381,801. That is the total of the two. Now deducting \$54,065,770, that is the total of the Crowsnest.

The CHAIRMAN: There is no need taking this down. Mr. Hayes is trying to figure out an answer.

SIR HENRY DRAYTON: I wanted to get through this thing to-day someway or other.

THE CHAIRMAN: There is a motion before the Committee and I am going to put the motion and I am not going to wait for members to be here. They will either be here and vote or not be here and not vote.

MR. ARCHAMBAULT: Before you put the vote I want to make my position clear on this matter.

THE CHAIRMAN: Let me finish my statement. Please let me say what I am going to say. It was a motion that I was putting. It was just in my own name.

SIR HENRY DRAYTON: Shall I straighten this out?

THE CHAIRMAN: Yes.

SIR HENRY DRAYTON: The witness agrees with me that the difference between the actual receipts based on last year's business, on the rates which were in effect last year, and the Crowsnest rates would be \$17,683,969. He points out that in connection with the other reductions, as there are different figures coming in, that he cannot very well carry out the answer to the point I was trying to make and I abandon it. I accept those figures as being sufficient for my purpose and for the purpose of the Committee. We know exactly what the difference in traffic amounts to, rather the difference in receipts amount to under the old scale and under the Crowsnest Agreement. It is \$17,683,969.

THE CHAIRMAN: What does this mean?—A. A mare's nest?

SIR HENRY DRAYTON: There is no mare's nest at all.

THE CHAIRMAN: Can you tell us what it is?

SIR HENRY DRAYTON: It is the difference between the earnings on last year's business on the different basis. It means that the railways together would have made just that much less. If you take it from the point of view of the Canadian Pacific Railway, for example, so that the Committee will have the whole thing, the actual revenues on last year's business for the Canadian Pacific Railway amounted to \$28,101,934. If the Crowsnest rates had been applied to that traffic, the revenue would have been \$19,024,418. In the case of the Canadian Northern, the revenues were \$25,963,836. Under Crowsnest rates the revenues would have been \$17,357,383.

Hon. Mr. CRERAR: Can you tell us, Sir Henry, what the net loss would be to the railways now, supposing the 20 per cent reduction they have suggested a few days ago were put into effect, as against the rates in effect in 1921? What would be the net difference between those figures?

SIR HENRY DRAYTON: You mean the net difference as between the figures presented and the Crowsnest figures?

[Mr. Hayes.]

Hon. Mr. CRERAR: The net figures on the basis you have suggested? You say if the reduction is made from the 1921 figures to the Crowsnest rates, the loss to the railways is \$17,000,000 odd. Now, if the decrease of 20 per cent were put on existing rates, as the railways suggest, what would be the loss as the difference between that loss and the \$17,000,000 odd?

Sir HENRY DRAYTON: Mr. Hayes has given you that at \$3,800,000.

Hon. Mr. CRERAR: Absolutely. There is no use in cluttering up the record with a lot of suppositious figures—

Sir HENRY DRAYTON: They are not suppositious, they are actual.

Hon. Mr. CRERAR:—as applied to a consideration of this case, with a view to getting some daylight into it. The simple fact of the matter is that the proposal of the railways for a 20 per cent reduction on the corrected figures that Mr. Hayes has given here this morning, and he has made clear a point that was obscure before, means a loss to the railways on the new calculations of \$3,800,000 instead of \$5,500,000 as we understood the other night. That is the fact we have to deal with, and I would direct the attention of the Committee again to this fact, that that is based on the estimates of the railways themselves, and it is safe to assume that they would put the most favourable construction possible on their own estimate. Reference was made to Mr. Lanigan's statement, that the Canadian Pacific Railway Company could not consider giving reductions on basic commodities if the Crowsnest rates were put into effect. Mr. Lanigan also stated that what he wanted was a complete abrogation of the Crowsnest pass agreement. Mr. Beatty stated that he did not ask for the abrogation of the Crowsnest pass agreement. In that regard, it might be well for the Canadian Pacific Railway officials to get together and reconcile their views on this question.

Sir HENRY DRAYTON: I think Mr. Crerar is right, and that we should have them here again.

By the Chairman:

Q. I have not been able to follow the questions put to you and the answers you have given, and I do not know whether you have been able to follow them or not. Tell me if you understand the questions put to you, and whether the deductions made by Sir Henry Drayton are, in your judgment, correct ones?—A. He was figuring from a different standpoint.

By Mr. Euler:

Q. Does that change your estimate of a loss of \$3,800,000?—A. Nothing has happened to change that.

Q. You stand by that?—A. Yes.

By Hon. Mr. Crerar:

Q. If the Crowsnest rates on grain come back again, the reduction to the railways in revenue from existing rates will be \$3,800,000?—A. No, no. That is a further reduction of \$3,800,000 from the 20 % proposal.

Q. I will state my question again. If the 20 % reduction is put into effect on the existing scale, that will mean a revenue of \$3,800,000 more to the railways than if the Crowsnest scale itself is put into effect?—A. Yes.

By Mr. Boys:

Q. Referring to page 589 of the evidence, the statement there indicates that on the 20 % reduction basis on grain and grain products there would be a loss in revenue based on last year's traffic of \$4,844,115?—A. Yes; from present rates.

Q. Quite so.

[Mr. Hayes.]

Mr. ARCHAMBAULT: On grain.

Mr. BOYS: Quite so.

Q. That is on a 20 % reduction?—A. Yes.

Q. Now, if that is increased to what is now suggested, how much must we add to that?—A. To the Crowsnest?

Q. Yes?—A. Approximately \$2,000,000.

Q. So that if the proposition now being mooted is adopted, namely, that there should be a restoration of the Crowsnest rates on grain and grain products, the total reduction in revenue of the Canadian National Railways on grain and grain products will be \$4,844,115, plus \$2,000,000, or in all, \$6,844,115?—A. We estimated \$6,500,000 odd; that is about right.

Q. I am taking the \$2,000,000 in round figures, while the exact figures are not \$2,000,000?—A. Yes.

Q. Can I rely on that, that the total loss to the Canadian National Railway if the suggestion now mooted is adopted, namely, the Crowsnest rates on grain and grain products, will be \$6,800,000 odd?—A. Yes.

Q. What is the exact figure?—A. \$6,863,190.

By Mr. German:

Q. Would it not make a very considerable difference in the calculations made by Sir Henry Drayton, if he applied the rates of this year to the figures he has given? Does not the apparent difference in the loss Sir Henry Drayton makes up result from applying the rates of last year instead of applying the rates of this year on last year's business?—A. Yes.

The CHAIRMAN: I think we have made it as clear as we possibly can. I do not see that we can get much more from Mr. Hayes.

Mr. ARCHAMBAULT: I am sorry to take up the time of the Committee again, but I would like to say I was greatly impressed by the arguments of Mr. Crerar and Mr. Hudson, and the only reason why I voted against that proposal was that we had statements here made by Mr. Lanigan, Mr. Hayes and Mr. Hanna, that if the Crowsnest rates were put into force the East would not get the alternative reduction in rates. I may say that was practically the only reason why I voted against the proposal of Mr. Crerar. Now, we have another proposal, to return to the Crowsnest rates on grain only.

The CHAIRMAN: There has been no such proposition put before the Committee yet.

Sir HENRY DRAYTON: It comes out all the time.

Mr. ARCHAMBAULT: Everybody knows that this proposition is going to be made again, and we have no statement—Mr. Hayes himself stated that he could not give us a statement—as to whether or not the railways will be able to give us the reductions on other commodities in the East if we reduce the rates to the Crowsnest scale for grain and grain products only.

Hon. Mr. MANION: I rise to a point of order. We voted that proposition down. Why should it be discussed again?

Mr. EULER: We have new figures before us.

Sir HENRY DRAYTON: And new instructions.

The CHAIRMAN: Are you going to ask a question?

Mr. ARCHAMBAULT: I asked a question and he could not answer it. I say I am unable to form a proper judgment on the matter unless I get an answer to my question.

The CHAIRMAN: You will have a chance to say that.

Mr. ARCHAMBAULT: I am saying it.

The CHAIRMAN: Any further questions to put to Mr. Hayes?

[Mr. Hayes.]

By Mr. Macdonald:

Q. In your estimate of what the effect will be of the 20 per cent reduction on products from the East, to what extent would those figures be changed if you had to appropriate the additional amount of money necessary to give the full rates on grain and grain products to Fort William?—A. That is another way of asking the same question.

Q. Tell us the figures? Tell us how much would be appropriated out of that?—A. How much would be appropriated? \$2,000,000.

Mr. GERMAN: Of course.

By Mr. Macdonald:

Q. \$2,000,000 flat?—A. \$2,019,000, I think.

Q. According to your statement on page 589, you would have to add \$2,100,000 odd to \$4,844,115. How much would be left of the \$6,971,400?—A. It would not be very much.

Q. You can easily figure that?—A. (No answer.)

Mr. MACLEAN (Prince, P.E.I.): I do not think it is fair for us to force Mr. Hayes to take the position of the Railway Commission. I do not think he should be forced to answer.

Mr. MACDONALD: The Railway Commission has nothing to do with what I am interested in.

Mr. MACLEAN (Prince, P.E.I.): With reference to the objection raised by our friends of the loyal Opposition, that the Committee is coming to the point of view which they said the Committee should take before it was appointed, I cannot see why they do not say Amen to everything, and let us get down to business.

The CHAIRMAN: I am waiting for an answer from Mr. Hayes to Mr. Macdonald's question.

WITNESS: About \$9,000 or \$10,000 left to apply to the basic commodities.

By Mr Macdonald:

Q. You are the man that fixes the rates—A. Oh, you would have a little more than that, about \$11,000.

Q. Are you the man that fixes the rates on what we call the Intercolonial Railway?—A. They are not subject to the jurisdiction of the Railway Commission?

Q. You are the man that fixes the rates in that part of the country?—A. Yes.

Q. You are a Vice-president of the C.N.R., and have charge of that particular business?—A. Yes.

Q. What assurance can you give us as to the lowering of rates in our part of the country if the Crowsnest rates on grain and grain products go into effect?—A. I do not think you should ask me that question.

Q. Who can we ask if we cannot ask you?—A. You gentlemen are as much responsible as we are for the results of the operations of the Canadian National Railways.

Q. We are?—A. Your judgment must come into play in the settlement of this problem.

Q. We find it very difficult to get our views impressed upon you and your coadjutors who are running the Canadian National Railway to-day, no matter what you may say about Parliament being behind you. You run that part of the railway, and you are the man that fixes the rates?—A. In making rates, if any one has a due regard for the responsibilities of the position he holds he has to keep estimating the probable results from making these rates, and I could not undertake to say what the effect would be on all the rates on the Intercolonial Railway as the result of one position or the other being taken in connection with the Crowsnest pass agreement.

Q. When could you tell us?—A. I do not know that I could ever tell you.

[Mr. Hayes.]

Q. Who is there in connection with this wonderful management of the C.N.R. that can tell us?—A. Rates are being made from day to day under conditions that are as far remote from the Crowsnest pass agreement or anything else that is done here that you can imagine. Take the conditions in the Intercolonial territory. We are surrounded by water, and that has an effect on our rates from day to day.

Q. The principal thing I am interested in in this Committee is whether we in the East are going to get cheaper transportation. That is the crux of the issue for me. You are the man that makes the rates for that part of the country, and you and your coadjutors are running the Canadian National Railways. You have gone into a certain set of conditions very fully. In view of these changed conditions, can we have any assurance from you of any decreased rates in the East? If you cannot tell us, please, tell us who can tell us?

Mr. EULER: He has been asked that half a dozen times, and he says he cannot answer.

Mr. MACDONALD: We are talking about the rates on basic commodities in the East, and I am asking about rates on the Intercolonial Railway, which this gentleman fixes apart from the Railway Commission.

Hon. Mr. CRERAR: Mr. Macdonald's question is not relevant to the inquiry we are prosecuting now. I have every sympathy with his desire to get reduced rates in the East, but I submit it is not fair to put a question like that to Mr. Hayes at the present time and to ask for a clean-cut declaration. I say it is outside the scope of this inquiry.

By the Chairman:

Q. Mr. Hayes, please answer the question as best you can.—A. If I owned the railway I could make any rates I saw fit, because I have no responsibility but to myself, but not owning the railway and being under the jurisdiction of superior officers, I must be obliged only to make rates on that portion of the system to have as much regard as possible to the net results we might be able to obtain and having due regard also to the necessity of making rates that will permit traffic to move freely and permit the railway to secure traffic in competition with other means of transportation.

By Mr. Macdonald:

Q. Now, Mr. Hayes, you are a member of the Board of Management of the eastern lines of the Government Railway?—A. No, sir.

Q. Who is the member. Are you not one of the directors?—A. No, sir.

Q. Who are the members? Mr. Hanna?—A. Mr. Hanna is a director.

Q. And the directors of the C. N. R.?—A. Yes, sir.

Q. And the Board of Management under the Government Railway Act?—A. I understand so.

Q. They are the people who have the authority to make those rates subject to the control of the Minister of Railways in the Government?—A. Yes.

Q. So that the Minister of Railways and the Government can say to you if they choose, that they desire to make lower rates on that portion of the system, can they not?—A. Yes.

Q. And you would be bound to make a rate accordingly if they so suggest it to you?—A. Probably if I wanted to hold my position.

Q. That is the position you take in regard to this matter, that you carry out the instructions of the Board of Management and the Minister of Railways, who, under the law, have the authority over you?—A. Yes.

Q. That is the reason you say you cannot give me an answer to the question?—A. That is one reason.

Q. That is one reason. What is the other reason?—A. I think that is the main and only reason.

[Mr. Hayes.]

Q. Why do you think you cannot give us any information as to what would be the result with regard to the operating of the rate on that part of your system, because you would have to carry out your instructions from the Government of Canada to the Board of Management?—A. I think that is a natural conclusion to draw.

By Mr. Euler:

Q. I am not sure whether the witness can or will answer this question, but I think the answer to it is vital to the whole situation. It is this: with regard to the National Railways alone, will the National Railways Management give any heed to the wishes of Parliament as to the reduction of rates on basic commodities?

The CHAIRMAN: There is a pretty hard question to answer.

Mr. EULER: I would like to know whether he can answer the people of Canada as represented in the Parliament of Canada, would it be considered at all in the making of rates on basic commodities?

Mr. ARCHAMBAULT: That is public interference with public ownership.

By Mr. Euler:

Q. I want to know. I differ from my friend, Mr. Archambault on that.—A. I don't think you should ask such a question as that.

Q. You don't care to answer?—A. No.

By Sir Henry Drayton:

Q. Let us get a concrete case. The one thing we are suffering from in Ontario to-day is the high rate on coal. What are you going to do for us on these coal rates, having regard to the basic commodities?—A. You have the suggestion of the railways.

Q. What will you do for coal, we will assume now that the Crowsnest agreement is adopted—what will you do for us in coal rates in central Ontario?—A. Why do you wish to put me in a position superior to the Railway Commission?

Q. I want to find out what you as the chief officer of the system would recommend.

Mr. DUFF: It is not a fair question to ask.

Hon. Mr. CRERAR: These are not fair questions to ask Mr. Hayes.

The CHAIRMAN: I don't think so, either.

Sir HENRY DRAYTON: If the Chair decides to over-rule the question, all right. We had an idea we were here to find out as much about basic rates as anything else. If there is anything more essential than the reconstruction of coal rates, I don't know what it is. If Ontario is going to get anything out of this, I want to know. We have had our alternative propositions. We might just as well get down to business. If all is to go to the Crowsnest, all right, let us know it. If we are going to get something out of it, let us know what it is. If we know what this gentleman as the chief traffic official of the Canadian National Railways is prepared to do in connection with the matter, and it must have been before him time and time again, that is, what will be done for the users of coal in Ontario—A. Unfortunately, the Canadian National have comparatively little interest in the coal traffic of Ontario. You might properly ask the Grand Trunk and C. P. R. that question.

The CHAIRMAN: That is all, Mr. Hayes. Mr. Euler I don't think you can expect him to answer your question.

Mr. EULER: The witness said the matter of rates on the Canadian National lines owned by the people of Canada were the concern of the Parliament of Canada, if I understood him right. If that is the case, I understood that would be governed by the people of Canada.

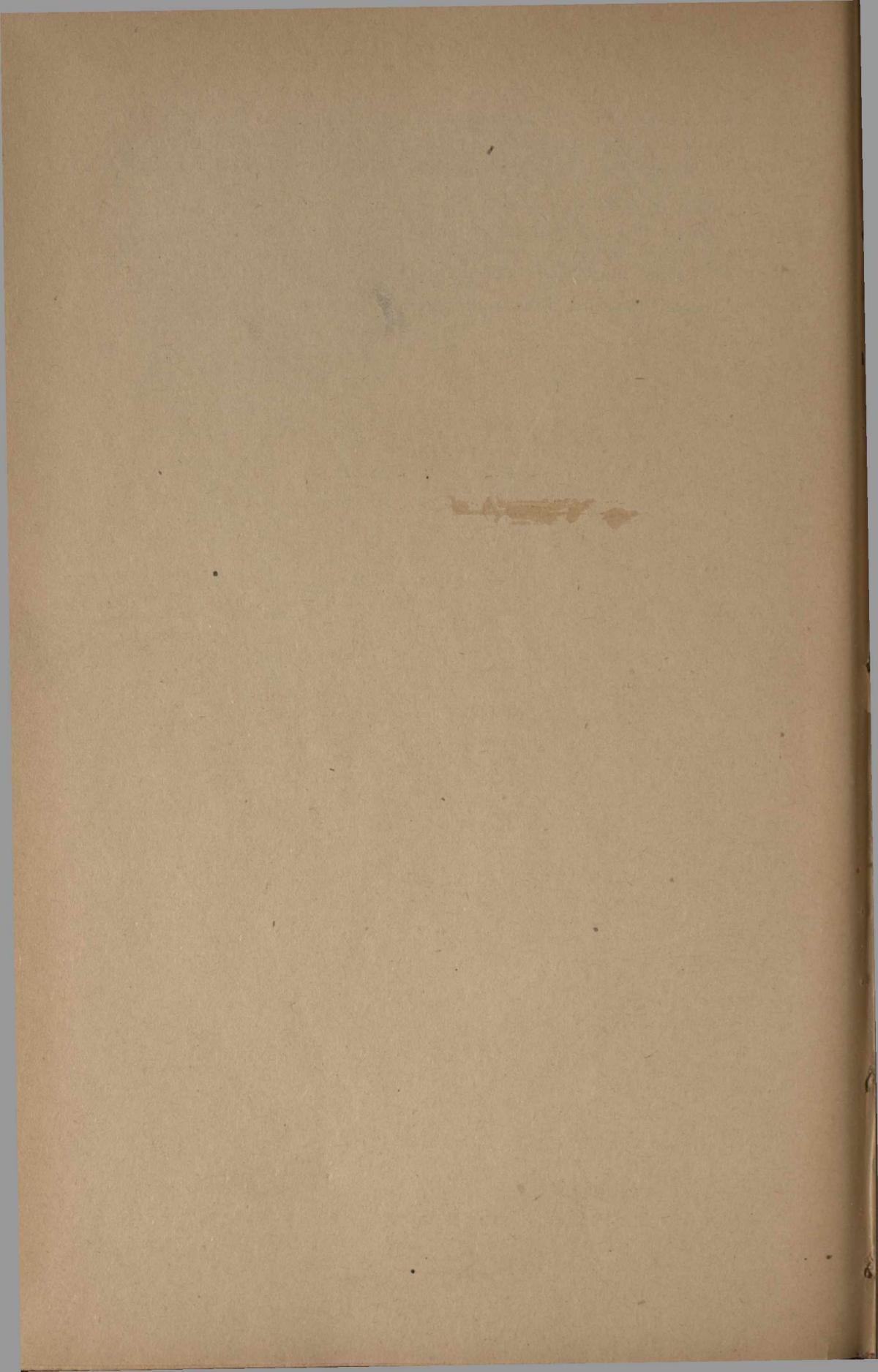
[Mr. Hayes.]

The CHAIRMAN: I think he said the Government. I would be willing to go on oath any time and swear that the Parliament of Canada is not fit to fix railway rates.

Mr. EULER: I am not saying the fixing of individual rates, but with regard to the reduction, the general rates are they going to be influenced by the Parliament of Canada.

The CHAIRMAN: Thank you, Mr. Hayes. I did not think it would take this long. We will proceed to a consideration of our report, which is not all through. The proceedings of the Committee will now be confined to the members of the Committee and all present who are not members and the reporters will please retire.

The Committee went into Executive Session.



OFFICIAL REPORT OF EVIDENCE

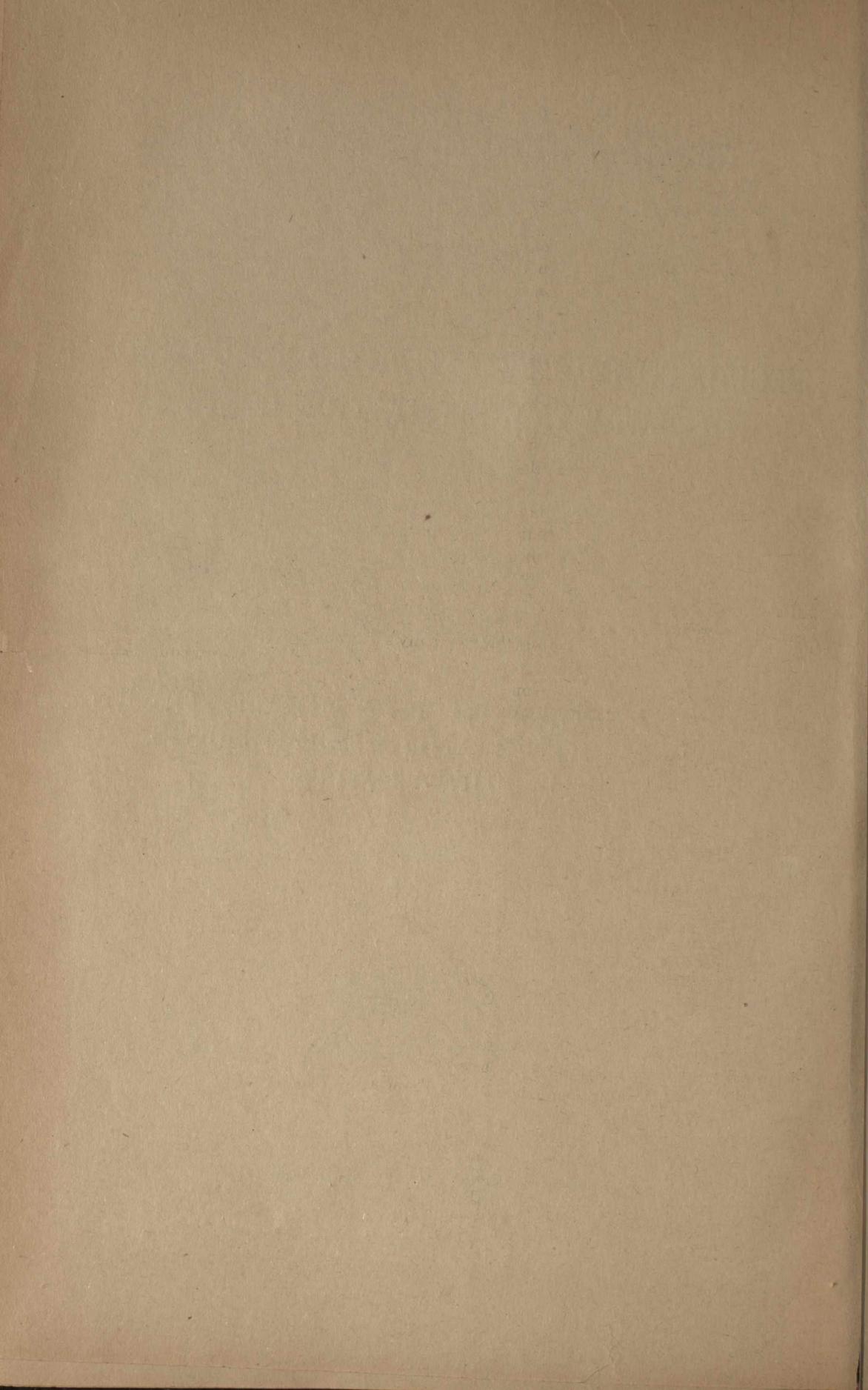
TAKEN BY THE

SPECIAL COMMITTEE APPOINTED TO CONSIDER
RAILWAY TRANSPORTATION COSTS

No. 17—REPORT TO THE HOUSE, TAKEN
FROM VOTES AND PROCEEDINGS
OF JUNE 24, 1922



OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1922



By leave of the House, Mr. Mackenzie King (*York*) moved,—That the House do now revert to Presenting Reports by Standing and Select Committees, under Routine Proceedings; which was agreed to.

Presenting Reports by Standing and Select Committees being accordingly called; Mr. Maclean (*Halifax*), from the Special Committee appointed to consider Railway Transportation Costs, presented the Third Report of the said Committee, which is as follows:—

Your Committee, appointed pursuant to resolutions of Parliament passed on the 8th day of May, begs leave to report that it has had altogether twenty-nine sessions or meetings and has heard and considered the evidence of many witnesses and as well received many written representations from interested sources. Witnesses were heard on behalf of the Canadian railways, several of the Provincial Governments, industrial organizations, and particular industries and interests. The proceedings of the Committee have been from time to time, as printed, circulated among members of the House of Commons, and of the Senate, and have been as well widely circulated outside of Parliament.

Your Committee was charged with the duty of inquiring into the question of transportation costs with particular regard to the effect of rates established by the Crowsnest Pass agreement on Canadian National and other railways and upon agricultural development and Canadian industries generally.

The Crowsnest Pass agreement was an undertaking entered into in 1897 between the Government of Canada and the Canadian Pacific Railway, whereby in consideration of a subsidy to be earned by the construction of the Crowsnest Pass railway, which subsidy amounted to \$3,404,720, a reduction should be made in the rates upon the classes of merchandise below stated westbound from, and including Fort William and all points east of Fort William on the Company's railway, to all points west of Fort William on the company's main line or on any line of railway throughout Canada, owned or leased by, or operated on account of the Company. The commodities, the classes of merchandise to be affected, are as follows:—

- Upon all green and fresh fruits, 33½ per cent;
- Coal oil, 20 per cent;
- Cordage and binder twine, 10 per cent;
- Agricultural implements of all kinds, set up in parts, 10 per cent;
- Iron, including bar, band, Canada plates, galvanized, sheets, pipe, pipe-fittings, nails, spikes and horse shoes, 10 per cent;
- All kinds of wire, 10 per cent;
- Window glass, 10 per cent;
- Paper for building and roofing purposes, 10 per cent;
- Roofing felt, box and packing, 10 per cent;
- Paints of all kinds and oils, 10 per cent;
- Livestock, 10 per cent;
- Woodenware, 10 per cent;
- Household furniture, 10 per cent.

The agreement also provided for a reduction in the rates on grain and flour from all points on the main line, branches or connections of the Canadian Pacific Railway west of Fort William to Fort William and Port Arthur. The decrease was fixed at 3 cents per hundred pounds to be reached in two annual reductions of a cent and a half each.

The Crowsnest rate on grain and grain products remained in entirety from September 1, 1899, until October 7, 1903, when it was modified by a lower rate resulting from an agreement made between the Province of Manitoba and the Canadian Northern Railway. Lower rates continued until March 15, 1918, when an increase of 15 per cent on rates generally was made by order of the Board of Railway Commissioners. This

increase was granted because of representations by the railways that they could not successfully maintain their services unless granted rates that would enable them to meet the increased operating costs due to substantial increases in cost of fuel, coal, materials, supplies, equipment of all kinds and wages. This increase was subject to the Crowsnest Pass agreement, but it brought western grain rates up to Crowsnest maximum rates from most points in Saskatchewan and Alberta, though not in Manitoba.

Shortly afterwards, the first of the so-called McAdoo series of wages awards was adopted in the United States and in view of the continued increase in the cost of living, Canadian railway employees organizations claimed wages in Canadian territory should be similarly advanced. An Order in Council, P.C. 1768, of July 16, 1918, authorized the wage increase on Government-owned railways and recommended that similar increases be adopted on other lines. The same Order in Council authorized a general rate increase to meet the increased operating costs. It thus became necessary to exceed the Crowsnest maximum rates, and to accomplish this a further Order in Council, P.C. 1863, of July 27, 1918, authorized the Board of Railway Commissioners to disregard any existing rate-controlling agreements. This prepared the way for the rate increase of August 12, 1918, which was 25 per cent in the East, but less in the West, because there the 15 per cent increase which came into effect on March 15th, 1918, was included in the 25 per cent increase.

The several Orders in Council referred to were passed under the authority and power vested in the Governor in Council under the War Measures Act. Upon the end of the war it was deemed desirable to continue in statutory form the authority of the Board of Railway Commissioners to disregard rate-controlling agreements and in due course subsection 5, of Section 325, of the Railway Act was enacted, enabling the Board of Railway Commissioners to disregard rate-controlling agreements for a period of three years from July 6, 1919. Thus, the power of the Board to disregard special agreements, and in particular the Crowsnest agreements, will terminate on July 6th next unless Parliament shall, in the meantime, otherwise enact.

Subsequent to the enactment of subsection 5 of Section 325 of the Railway Act, the upward trend in railway operating costs in Canada continued, largely owing to what is known as the Chicago Labour award, and on September 13, 1920, the Board of Railway Commissioners, under General Order No. 308, ordered a further advance of 35 per cent in Western territory and 40 per cent in Eastern territory. With that order, the peak of the rate increases over Crowsnest rates was reached. The order provided for a decrease of 5 per cent on January 1st, 1921; a further decrease amounting to 10 per cent was made effective under General Order No. 350.

The duration of the remainder of the increase directed by General Order No. 308 is limited to July 1, 1922, owing doubtless to the fact that on July 6, the Crowsnest agreement would come into operation if the suspension were not further continued by statute, and which would doubtless necessitate a reconsideration of the whole freight rate structure.

Your Committee has heard the representations of the railways:

Mr. Beatty and Mr. Lanigan on behalf of the Canadian Pacific Railway, and Mr. Hanna and Mr. Hayes on behalf of the Canadian National Railway, and Mr. Watson on behalf of the Grand Trunk Railway.

In addition to hearing evidence as to the effect of Crowsnest Pass rates on Canadian railways, certain other aspects of the railways situation were impressed upon your Committee. Representatives of the Province of British Columbia argued for the equalization of the Mountain scale of rates with the Prairie scale, and for the placing of the Port of Vancouver in a position of relative equality with the head

of the lakes. It was contended that equal consideration with the rest of Canada in the matter of railway rates was implied in the railway arrangement made with the Province of British Columbia at the time of Confederation.

The case for the Prairie Provinces was also presented. Stress was laid on the fact that the earnings from Prairie lines were greatly in excess of the earnings in the East. It was stated that the rates in the East, being controlled and limited by water and American rail competition resulted in deficiencies in revenue which prairie rates were designed to make up and it was urged that the Crowsnest Pass agreement was the only controlling factor at the disposal of the people of the Prairie Provinces. Therefore, they objected strongly to its further suspension. It was their "Sheet anchor" as one witness put it.

Representatives of the Maritime Provinces urged that their situation was one of special character, because of the conditions under which the Intercolonial Railway has been constructed as a result of the Confederation agreement. They contended that there was an implied obligation necessarily attaching to these terms which guaranteed to them special consideration in regard to railway freight rates, on account of their distance from the central and Western provinces. It was claimed that the increases in rates of the Intercolonial Railway since 1916 were in excess of rates allowed by the Board of Railway Commissioners on many of their products, which excessive rates greatly interfered with interprovincial trade, and are contrary to the obligation accepted by the Government of Canada at Confederation. The Government was, therefore, asked to take cognizance of the situation and endeavour to arrange such reductions of rates as will, having regard to the actual cost of operation of these railways, remove as far as possible the difficulties complained of, and that the Board of Railway Commissioners should, for the same reasons, and in so far as their jurisdiction extends, restore the differential rate formerly applicable to traffic to and from the Maritime Provinces, and we recommend that the Minister of Railways and Board of Management take steps to meet the situation in these provinces by a substantial reduction in rates.

While your Committee was impressed by the arguments put forward on behalf of the Maritime Provinces and British Columbia, they are possible without the scope of the reference to us, and, in any event, are too intricate and involved, and would require more time than is at the disposal of your Committee, to form a proper judgment regarding them. Moreover, these matters have been before the Board of Railway Commissioners during the past 12 months; the board has heard voluminous evidence, much expert testimony and lengthy arguments; it has had at call men trained in railway rate matters, and the Committee feel that it would be inadvisable and generally unsatisfactory to even appear to invade the jurisdiction of the board, or to anticipate its judgment. The claim of the Maritime Provinces with regard to local rates is a matter for the consideration of the Minister of Railways and the management of the Intercolonial Railway.

Whether the Crowsnest Pass agreement should come into effect on July 6th next, or whether it should be further suspended to enable the Board of Railway Commissioners to regulate freight rates for a fixed period, regardless of rate-controlling agreements, upon a consideration of all the abnormal economic conditions still prevailing and upon other considerations, was the important matter referred to your Committee. The question is not without its difficulties. The problem is largely one of approximating the net financial results upon the operations of Canadian railways with the Crowsnest Pass agreement scale of rates again operative, and the resultant effect upon the ability of the railways to sustain further reduction on basic commodities outside of those mentioned in the agreement, and the probable results as to railway revenues if such additional reductions were made. It was from these points of view that your Committee considered the matter.

There are many unknown factors which enter into a consideration of this matter, some of which are as follows:

1. The precise general effect of rate reductions upon railway traffic and its influence in stimulating business and producing railway revenue.
2. The probable future wage reduction in connection with our railways and when they shall become effective.
3. The probable degree of deflation in the costs of materials used by railways.
4. The action to be taken by the Board of Railway Commissioners, upon the applications of the Province of British Columbia, and the Prairie Provinces, or the action of the board, or of the Government on the application of the Maritime Provinces for rate reductions, etc., and upon which matter judgment is shortly to be rendered, the action to be taken by the Board of Railway Commissioners in respect of special applications for rate reductions and the probable action of the board in the way of general rate reductions upon basic commodities or upon class rates.

Without a determination of some or of all of these matters, it is difficult for your Committee intelligently to approximate the effect of the Crowsnest Pass agreement if put into operation, or its effect upon the future action of the Board of Railway Commissioners, in respect of future rates upon other commodities. Further, conditions relative to a consideration of this question are changing, or are likely to change, so rapidly that conclusions presently made will soon be found unreliable.

Again, the Crowsnest agreement was suspended first by Order in Council and later in effect by act of Parliament. Such action was based upon inflated railway operating costs, and increased value of commodities, as well as the general economic conditions resulting from the war. It was chiefly for these reasons, we believe, that the Board of Railway Commissioners was empowered to disregard rate controlling agreements, if it saw fit.

Fixing rates by legislation is no doubt generally a bad principle, because it hampers the free action of the Board of Railway Commissioners and may create a discrimination in favour of the commodities covered by statutory rates. The Crowsnest Pass agreement was enacted before the institution of the board. This board, created in 1903, have been charged by the Parliament of Canada with the duty of regulating railway rates and of establishing just and reasonable railway rates. It is the only body in Canada equipped for the determination of the intricate matters relative to railway rate making. The matter of the Crowsnest agreement becoming effective or being suspended is related to other concrete railway rate issues either pending or imminent. The one reacts upon the other, and both upon the whole freight rate structure which must, within a short period of time, undergo many substantial changes. The question would seem to be largely one that can best be treated by one body, the Board of Railway Commissioners.

But it has been represented to your Committee that three important provinces of Canada are mainly devoted to the basic industry of grain growing.

The prosperity of that basic industry is a factor vitally affecting the economic welfare of the nation at large.

The grain grown in the prairie provinces is mostly for export purposes and the price of that commodity is settled by competition on the grain markets of the world.

During the war, due to reduced production and increased consumption and the large stocks that had to be accumulated by the governments of warring countries, grain prices were greatly inflated. Since the termination of the war, a rapid deflation of grain prices took place, due to increased production, and reduced consumption, and also due to the fact that so many nations with a depreciated currency have

largely lost their purchasing power. These factors have forced down grain prices towards pre-war levels much more rapidly than what has been the case in respect of other commodities that grain growers are obliged to buy.

On the other hand, some of the reasons advanced in 1918 as justifying the suspension of the Crowsnest Pass agreement have disappeared, and your Committee has reached the conclusion that an immediate reduction of freight rates on grain and flour is in the national interest.

Conclusion

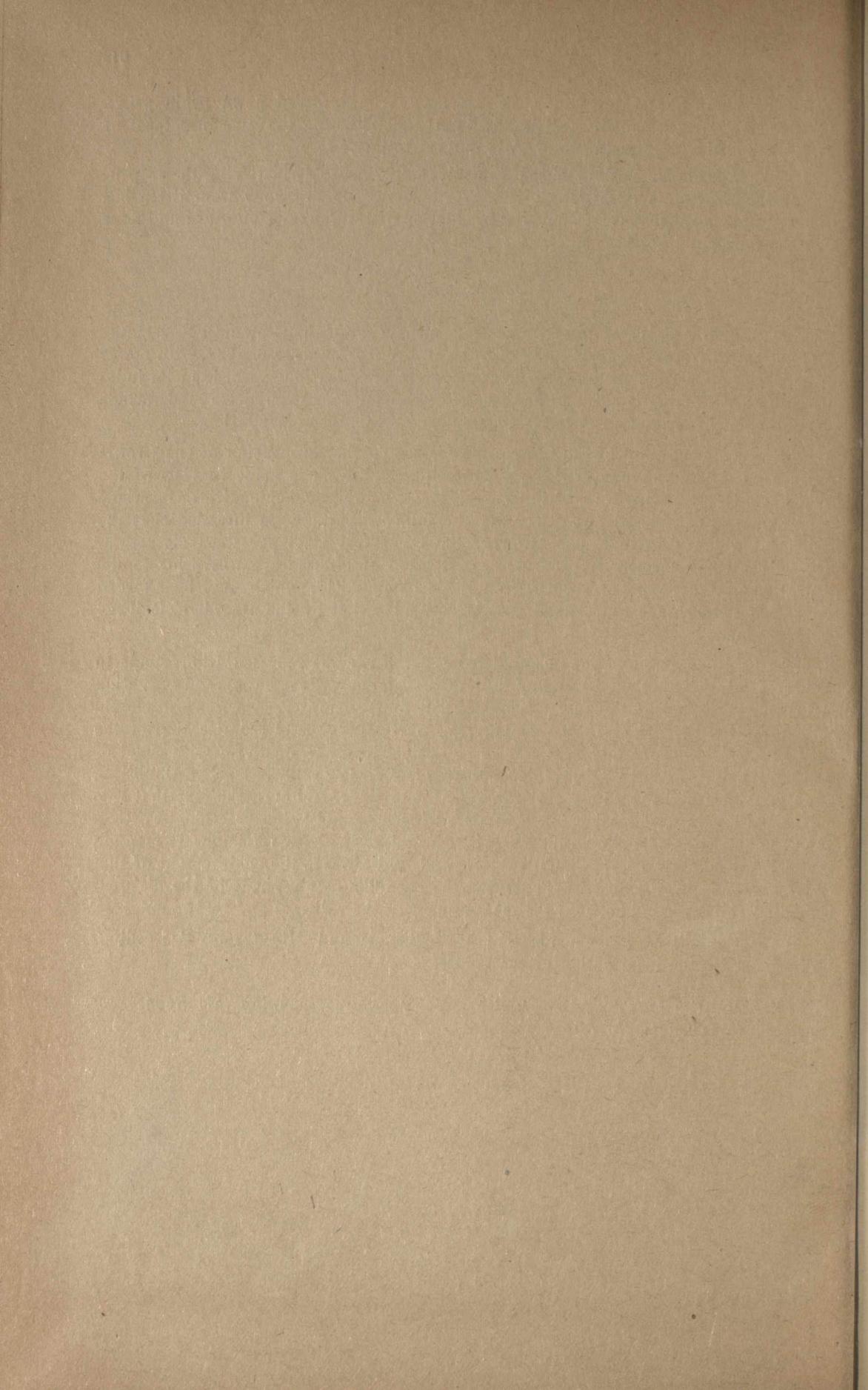
Your Committee, therefore, recommends a suspension of the Crowsnest Pass agreement, except in respect of grain and flour, for one year from July 6, 1922, with power to the Governor in Council to suspend for a further period of one year, if in its judgment the then existing conditions justify the same, and your Committee recommends that suitable legislation be enacted to make effective this recommendation.

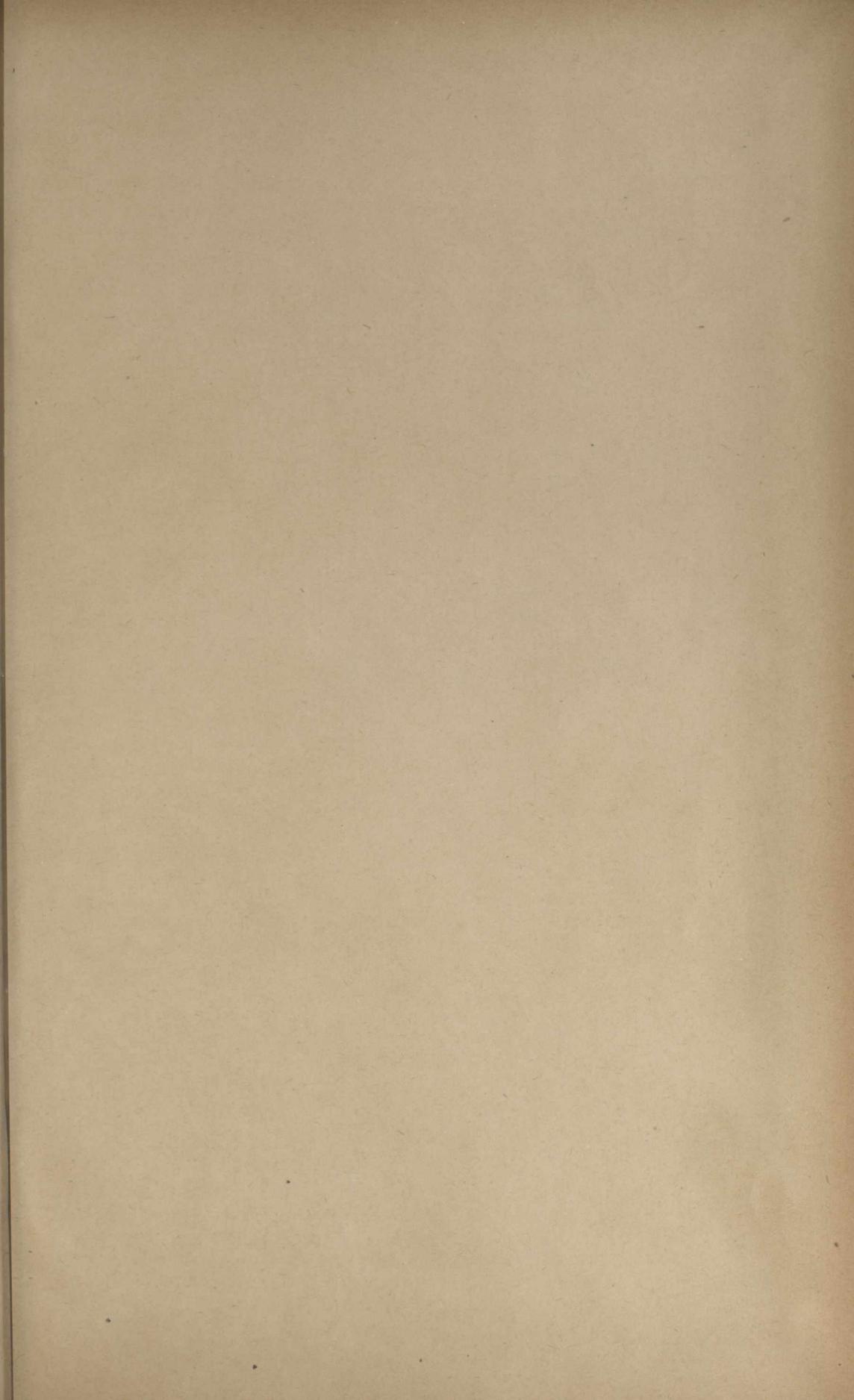
The recommendation of the Committee for the further suspension of the Crowsnest agreement in accordance with the foregoing paragraph is made in view of the great necessity of a general reduction in freight rates on basic commodities as a whole and in what is considered to be the general public interest. It is intended that the period for which a further suspension of the Crowsnest Pass agreement is recommended shall not necessarily preclude the adoption of Crowsnest rates prior to the expiration of the period of suspension. Basic commodities which may be afforded reductions should have the earliest possible consideration by the Board of Railway Commissioners.

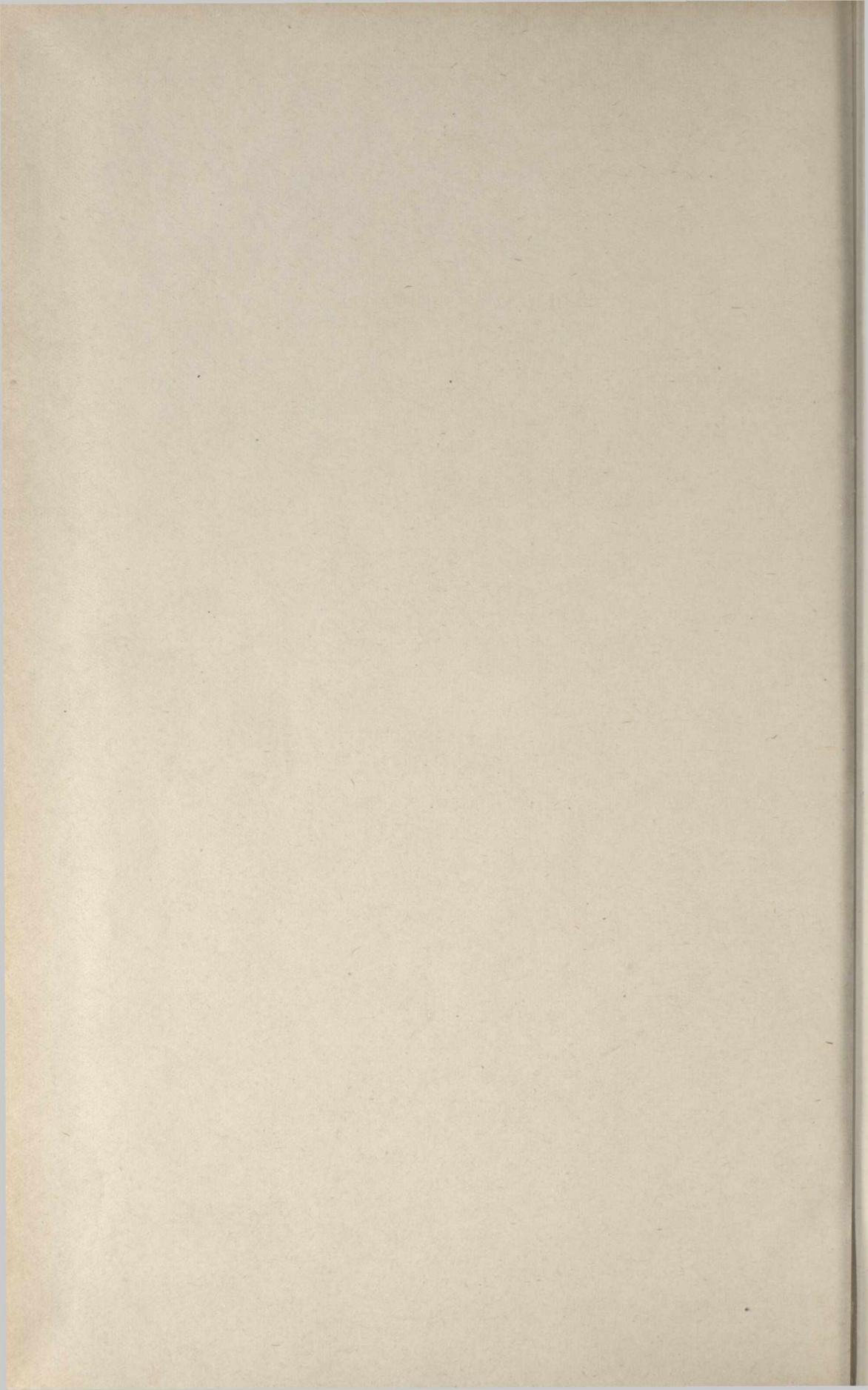
The evidence given to your Committee and the various representations made to it, in one form or another, inevitably lead to the conclusion that a general reduction in railway rates is essential to the economic life of the country. To this end should be directed the best efforts of the managers of our railways, and the attention of the Board of Railway Commissioners. It is impossible to predicate the precise effect of rate reduction upon commodities in stimulating business or railway traffic. Doubtless, however, high freight rates are a discouragement to trade, and even the fact that rate reductions are in anticipation tends to retard business and railway traffic. Further, your Committee is of the opinion and wish to declare in the most emphatic manner, that railway operating costs should be decreased, and towards the achievement of that end we recommend the closest co-operation between the management of the different Canadian railways, and between the management of the railways and their employees.

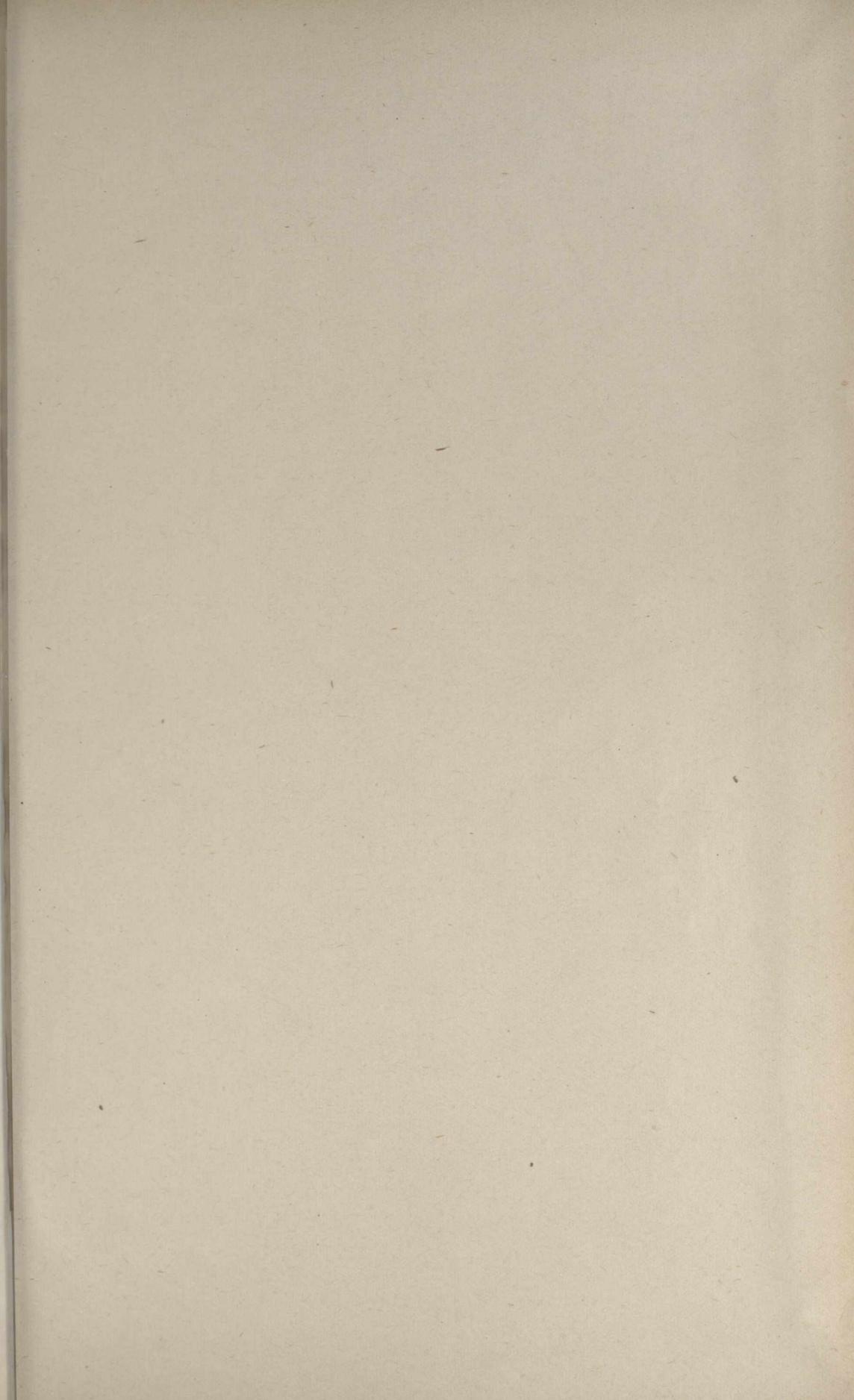
Your Committee recommends that the evidence and Minutes of Proceedings be reported for the information of the House.

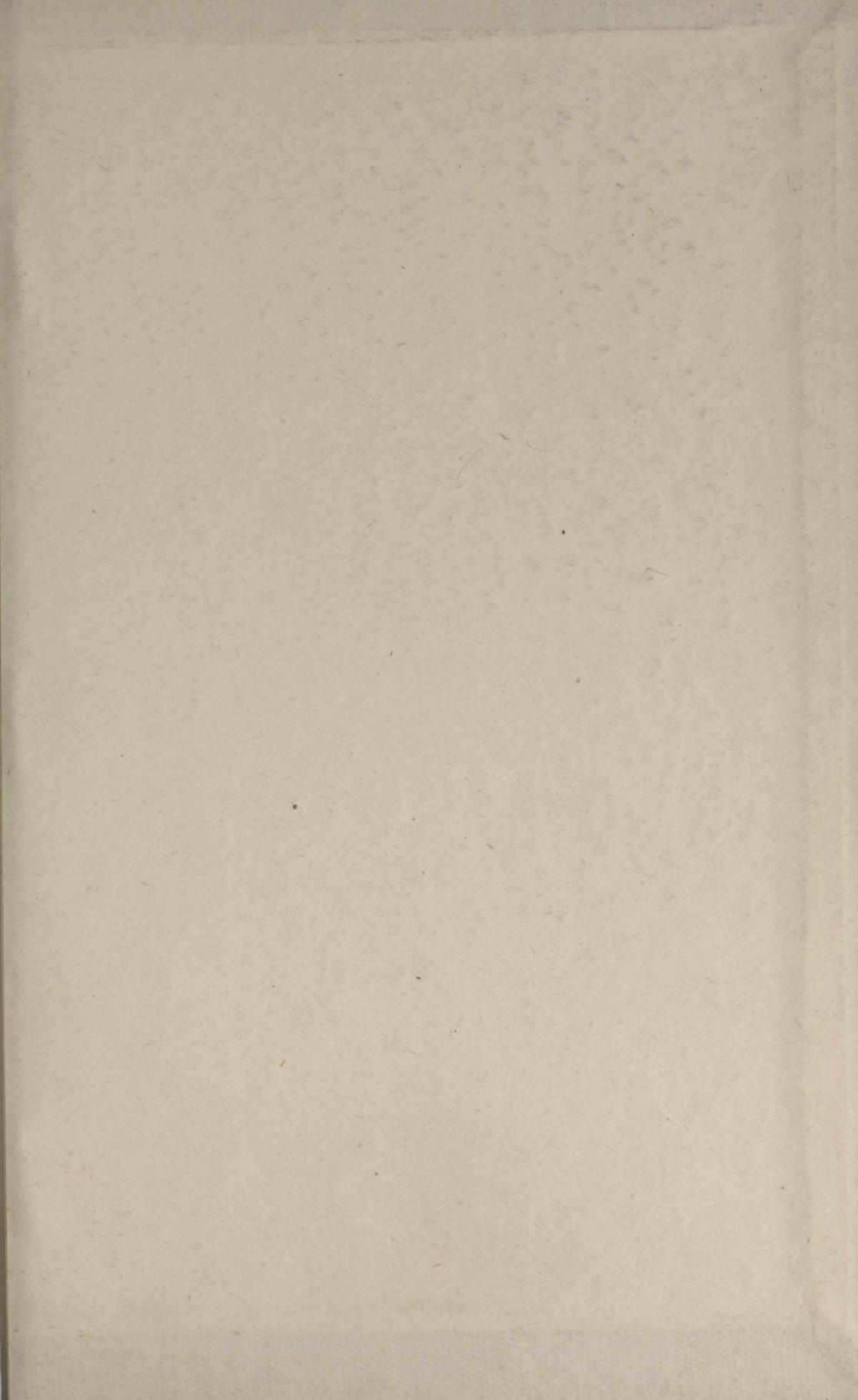
(For Minutes of Proceedings and the Evidence accompanying this Report, see Appendix to Journals, No. 5.)











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