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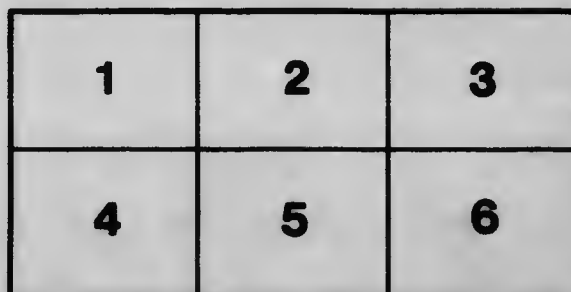
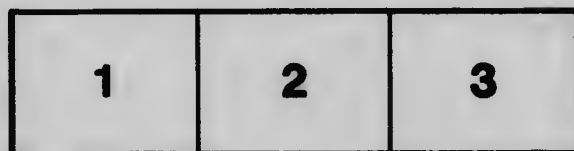
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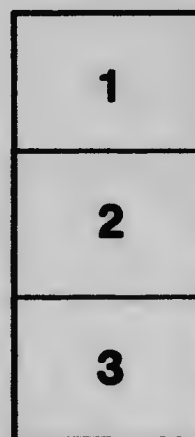
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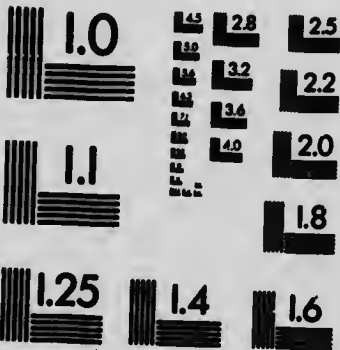
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ARGUMENT
OF THE
WINNIPEG
BOARD OF TRADE
(SHIPPERS' SECTION)

BEFORE HIS EXCELLENCY THE GOVERNOR-IN-COUNCIL

In the appeal of the Winnipeg Board of Trade (Shippers' Section) from the decision of the Board of Railway Commissioners for Canada on the application by Canadian Railway Companies for a recommendation to the Governor-in-Council under the War Measures Act for a general advance in freight and passenger rates. (B.R.C. File 27840.)

FEBRUARY 4, 1918

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Before His Excellency the Governor-in-Council:

In the appeal of the Winnipeg Board of Trade (Shippers' Section) from the decision of the Board of Railway Commissioners for Canada on the application by Canadian Railway Companies for a recommendation to the Governor-in-Council under the War Measures Act for a general advance in freight and passenger rates. (B.R.C. File 87840.)

Explanatory Note—The Government of Manitoba, the Canadian Council of Agriculture, the Western Retail Lumbermen's Association, the Retail Merchants' Association of Canada, and others are associated with the Winnipeg Board of Trade in the appeal.

The case was set down for hearing by the Cabinet Council at Ottawa on January 24. Mr. H. J. Symington, K.C., for the Province of Manitoba presented a part of the argument for the appellants during the morning. At the commencement of the hearing in the afternoon the Prime Minister, Sir Robert Borden, announced that the Cabinet Council would prefer to receive printed arguments from all the parties interested in the appeal. With that understanding in view he suggested that Mr. Symington conclude his address. The Government, he added, would then adjourn the hearing until March 1. This would enable both the appellants and the railways to present printed arguments. An Order-in-Council would be passed suspending the advances in rates that had been fixed for February 1, and no change in the rates would be made until after the appeal had been decided by the Cabinet Council.

This argument is submitted in accordance with the arrangement made by the Right Honorable The Prime Minister.

The Winnipeg Board of Trade (Shippers' Section) concurs in a general way with the argument offered by Mr. Symington, both with respect to his criticisms of the judgment of the Board of Railway Commissioners and his suggested solution of the problems in connection with railway transportation in Canada. We beg to draw the attention of his Excellency the Governor-in-Council to the memorandum attached to our petition of January 5, 1918, in which we set forth some of the reasons why we objected to the judgment. (A copy of this memorandum is printed as appendix A.) Our objections were embodied in the petition of the Government of Manitoba, and were elaborated by Mr. Symington in his presentation. As Sir Robert Borden has expressed on behalf of the Government a desire to have duplication eliminated in the balance of the argument, the Winnipeg Board of Trade does not deem it necessary to furnish detailed or statistical material in support of the contentions advanced in its memorandum. Our presentation must, therefore, be confined principally to a general review of the judgment and a statement of the remedy or remedies we offer as alternative solutions of the railways' financial problems.

The application of the Canadian Northern Railway Company, as set forth in the judgment, is based on the assumption that higher rates are necessary if transportation service is to be "adequately sustained." We take issue with that contention, and find that at the bottom of p. 424 of the judgment the Chief Commissioner gives the real basis of the application. He says it is "entirely in case of the railway companies' finances, and not primarily, if at all, for the purpose of improving facilities and service." In other words the application is filed and discussed on one basis, while the judgment deals with the subject from a totally different standpoint.

The change thus made is highly important in the consideration of the facts adduced. The support given to the application by the Toronto Board of Trade, the Montreal Board of Trade and associated business organizations, the Retail Coal Dealers' Association, the Saskatoon Board of Trade, and the Canadian Manufacturers' Association was undoubtedly a factor in determining the course followed by the Board, because evidence of that support is

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

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

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

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

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

would be cause for examination, and perhaps for revision of the basis of rates. Even in that event we believe the initiative should come from the Board of Railway Commissioners itself. It is clothed with full power to make enquiry and establish a new basis. Of course, in undertaking that work, the Board would be inviting an examination of the entire situation, and would find it necessary to pay particular attention to the effect, not only upon railway finances, but upon the commercial condition of the country at large.

We urge upon His Excellency, the Governor-in-Council, the necessity of making a careful distinction between the application of the companies under the War Measures Act and the response made by the Board of Railway Commissioners in giving consent to a wholesale "boosting" of rates. We have already pointed out that the support of several influential business organisations was given to the application on the ground that it was a step towards securing efficient transportation service. A reading of the judgment shows that several Boards of Trade, including some of those we have mentioned, and the Canadian Manufacturers' Association, *expressly stipulated that their consent was conditional on the temporary nature of the proposed advances.* Some of these organizations indicated one year as the period of time during which the railways might be allowed to increase their rates; most of them fixed the duration of the war. It is not going too far to say that the application must have appeared much more attractive to these organizations when presented as a merely temporary method of providing financial relief. In fact it may easily be believed that they gave their consent *because they were assured that only temporary increases would be imposed.* The Winnipeg Board of Trade is not required to analyse the motives that prompted those organizations to give their consent, or to discuss the extent to which they may have been impressed with the value of the conditions they attached. This Board was unalterably opposed to the advances, conditional or unconditional, and made its fight on the issues involved in a general consideration *without regard to the question raised as to the period during which the advances would have effect.* We know now that the proposed increases are intended to be permanent, and on that score alone we are determined to oppose them most vigorously. A process of reasoning, based on obvious inferences, would lead to the belief that railway rates could be lowered with the same ease and alacrity employed in raising them. Experience in Canada and in other countries where rate regulation is in vogue, has shown that such a conclusion does not follow. Advances in rates are being sought almost constantly by the companies on some pretext or other, and the public is placed in the position where it must fight these encroachments with the employment of such resources as it can bring to bear. The companies do not equalize the situation at any time by voluntary decreases in their schedules of rates. They fight vigorously against any effort to scale down their charges, and give the impression that the public is wantonly seeking to deprive them of some prerogative. The effort required to bring about an equalization is too heavy for the unorganized public, and the intervention of the Dominion Government on behalf of the people is practically essential before the attempt can be made. We ~~refer~~ to this phase of a rate advance because we think the difficulties in the way of securing a downward revision are not understood, except by those who have tried to secure one in the past. These difficulties give force to our objection that the proposed advances are permanent in their nature, not temporary, as was suggested by the influential business organizations ~~presented~~ at the various hearings. We find ourselves compelled to put forth strenuous efforts in order to prevent the increases from going into effect, but we fear we would need to conduct a nationwide campaign, perhaps penetrating to the floor of Parliament, before we could secure relief from them, even if obvious conclusions pointed to the necessity for decreases.

We contend that the judgment does not prove the necessity for a general advance in rates. It assuredly shows, as we have intimated, that at least two of the companies are in a serious position with regard to their finances. A judgment of the Board of Railway Commissioners was not required to demonstrate that fact. Nor is there justification for enlarging upon the subject in any representations we may be permitted to make to his Excellency the Governor-in-Council. The Ministers of the Crown at Ottawa, and particularly those who have served during the past five years, are familiar with the needs of suppliant railway companies. The point to which sufficient attention has not been paid is *the effect on the Canadian Pacific Railway Company's finances.* The arguments and statistical material presented in support of the applications from the Canadian Northern and Grand Trunk Pacific Railways do not hold in the case of the older and stronger company. It does not require increases in rates for the

purpose of "easing its finances." These finances, we submit, are sufficiently "eased" at the present time, and the company has had no right to associate itself with the application for increases. Its representatives seemed to realise that they must keep in the background while the investigation was being made. The transcript of the hearings shows that they had very little to say, except at Nelson, when specific rates in connection with the movement of lumber were under discussion. Mr. Curle, who appeared for the Canadian Pacific at the hearing at Toronto on June 12, asked permission to present a statement at a later sitting of the Board in Montreal or Ottawa "if there was anything special to say as applicable to the C.P.R." (Advance in rates Case, pp. 2885-2886.) That statement was not presented at the sitting in Montreal on June 20, and a sitting was not held in Ottawa. After the position of the Canadian Pacific had been thoroughly considered at the Winnipeg hearing on June 23, at which the company, through its own deliberate choice, was *not represented*, an opportunity to put in a written reply was asked and granted. This reply has been discussed by Mr. Symington in his oral argument, and further discussion might transgress the instructions of the Right Honorable the Prime Minister with regard to duplication. We trust we may be permitted to say, however, that the statement of the Canadian Pacific Railway does not meet the points at issue. The judgment of the Board, at p. 420, lays down the principle that "fair and just rates must be allowed to carriers for the service they perform," and that these rates must not be "unremunerative." It is necessary, then, that the Canadian Pacific Railway should demonstrate that the present rates are unfair and unjust, and also that they are unremunerative. It has not done so; it has not tried to do so. It has made the claim—which to us appears slightly overdrawn, to use a mild expression—that if the credit of Canada is to be maintained the company must earn its dividends (presumably the present dividends), and "reasonable" surpluses. Of course the question of what constitutes a reasonable surplus is not answered, and explanations are required before the term can be understood. But it is a far cry from unjust, unfair and unremunerative rates to reasonable surpluses, whatever construction may be placed upon the latter expression by the representatives of the Canadian Pacific Railway. The suggestion quoted at the top of p. 424 of the judgment that opposition to this application constitutes an attempt to "weaken the Canadian Pacific's financial position" is too weird to merit more than a passing reference. The Canadian Pacific Railway Company has been well paid, and is still being well paid, for any services rendered to the people of Canada. If it were really suffering in the same way as the Canadian Northern and the Grand Trunk, why did it not instruct its representatives to appear at the public hearings of this case and explain its position in detail? Mr. Phippen, who appeared for the Canadian Northern at Winnipeg, supplies the answer to this question and it is mentioned on p. 421 of the judgment: "If the Canadian Northern had been assisted in the same way that the Canadian Pacific had been assisted, it would require no increase in rates whatever." As, under the Railway Act, rates on all lines serving the same territory are uniform, Mr. Phippen's answer is sufficient.

The incidence of the proposed increases in rates, on the basis of population in Eastern and Western Canada, has been illustrated in the oral argument. The effect on the development of the country, with particular reference to farming and settlement, is indicated in the arguments now being prepared on behalf of the agricultural interests.

We desire to pay attention for a moment to the origin of the application and the flimsy basis on which it is founded. It appears that in January and February of last year abnormal weather conditions interfered seriously with railway operations in the eastern half of the North American continent. Traffic was almost at a standstill for days at a time in some districts, and the general effect on the revenues of the carriers, in spite of the enormous volume of business offering, was decidedly unfavorable. In addition to these troubles the companies in the United States had been compelled to comply with the Adamson law, providing for an eight-hour day, and naturally the increase in their wage-bills was very heavy. Overshadowing all was the practically certain prospect that the republic would be drawn into the war, and it may readily be understood that excited conditions prevailed there. Some writers have described the situation as bordering on panic. Whatever the correct description may be, one of the results was an application by all the carriers to the Inter-State Commerce Commission for an increase of fifteen per cent. in freight and passenger rates. The application was made with the hope that strong support would be given to it by business interests generally, and this hope was fulfilled. The excitement of the time was not confined to railway circles;

it was infecting every channel of commercial activity. Popular opinion, slow to express itself in concrete form when rate cases are under consideration gradually inclined to the belief that the carriers were entitled to levy higher tolls on account of the increased outlays required to maintain their operations. But the Inter-State Commerce Commission did not yield to panic; it appeared to be immune. It listened carefully to all the arguments offered in support of the railroads' contentions. It gave its decision at the end of June, and denied the application. It allowed certain advances designed to bring about a proper adjustment of rates throughout the country, but refused to permit a general increase. It took the ground that conditions could not be exactly the same in every section of the United States, and failing that, the necessity for increases in revenues must be more acute in some sections than in others. The principal feature of its finding, however, was the assertion that the experience of two months (January and February) on which the application was founded, did not furnish sufficient information to justify any change in rates. It was an abnormal period, and must be considered in conjunction with normal periods, rather than by itself. In effect, the Inter-State Commerce Commission told the railroads that a season of calamities, two months in duration, did not and could not form a legitimate basis for a rate advance. The decision has commended itself to the public, and its fairness has not been questioned.

The finding of the Inter-State Commerce Commission bears a close relation to the application of the Canadian railways. The latter gave indications, in the spring of last year, that they were being affected by the conditions that had been created in the United States. They were deeply impressed by the position adopted by the American companies, and they looked about for an opportunity to adopt a similar position. There seems to be some question as to whether the Canadian Northern or the Grand Trunk first made the plunge, and asked for a horizontal increase in rates. The judgment of the Railway Commission says that the "first application was filed by the Canadian Northern Railway Company on behalf of itself and all other railway companies operating in Canada." The Grand Trunk, in any event, was not at all tardy. Both these companies were fully represented at the only hearings held in Eastern Canada, those at Toronto and Montreal. They presented material very similar to that offered by the companies in the United States before the corresponding tribunal in that country. All of it tended to show that the railways were about to collapse, or were withstanding terrific pressure only through the exercise of wonderful patience and forbearance. They demanded instant relief and protested that they could not tell when they might have to discontinue the operation of trains. The ordinary course of procedure in rate cases was not swift enough for them; they wanted quick action, and believed they could secure it only through his Excellency the Governor-in-Council. The panic was working well. But it petered out, just as it had done in the United States. The companies continued to operate, and to give a comparatively good service. They have done so down to the present time, although the old rates are still in effect. And during all this period the Canadian Pacific has remained in the background, prepared to take advantage of the benefits that might be obtained, but unprepared to discuss its position in relation to that of the other companies.

We have intimated in our memorandum that the Board of Railway Commissioners should have taken into careful consideration the reasons that prompted the Interstate Commerce Commission to refuse the application of the American railroads. The decision in the United States had not been rendered when the application of the Canadian railways was being considered before the Board here on June 23. Early in July, however, we sent a long telegram to the Chief Commissioner, in the course of which we drew attention to the finding of the Interstate Commerce Commission. The absence of references to that finding, in the judgment now under consideration, is an indication to us that the Chief Commissioner and his colleagues did not realize how close was the analogy between the effort of the American railroads and that of the Canadian companies.

The judgment appears to suggest at various places, and particularly on page 433, that the appellants in this case desire to deprive the carriers of revenues to which they are entitled. The determination to enforce the Manitoba agreement is construed to involve pressure upon the companies to furnish transportation at unduly low rates. The Winnipeg Board of Trade leaves the consideration of the Manitoba agreement to the representatives of the Provincial Government. But it insists that it has no desire to force the railway companies to do business

at a loss. Insofar as legitimate conditions warrant a particular rate, this Board is prepared to accept that rate. We maintain, however, that we are not called on to accept rates based on abnormal conditions. Companies that are abnormally constituted must expect to do business at a loss. The most elaborate and scientific schedules of rates that could be devised would not enable them to operate at a profit. Before the Canadian Northern and Grand Trunk Pacific can hope to secure our co-operation in the business of rate-making they must comply with our specifications and demonstrate their right to consideration. It has often been said that railway companies are not philanthropic institutions, and that they cannot be expected to depart from certain rigid principles in the conduct of their undertakings. In the same way the public must insist on being excused from the performance of perpetual philanthropic duties towards the railway companies. There is no room for exuberant sentiment in a matter of this kind. A railway company that is doomed to a disastrous death before it is born, is an object of pity; but no time should be wasted in arranging the funeral rites. Similarly a railway company that has tried to commit suicide after it has enjoyed excellent opportunities to exist and thrive has no claim on public sympathy. We are willing to test the question of remunerativeness in the matter of rates by examining the position of a normal company operating in normal territory under normal conditions. Judged by this standard the Canadian Northern and the Grand Trunk Pacific are out of court before the investigation commences.

It is legitimate to enquire what the probable status of the rate situation in Canada would be if the service was being rendered by a large number of companies, instead of by a very few. If the Grand Trunk Railway, for instance, confined its operation to the older portion of the Province of Ontario, would not its position be better today? (We are not taking account, in this supposition, of the burden it may now be carrying through mismanagement in the past.) If the Canadian Northern Railway had restricted its field to the three Prairie Provinces with an outlet at Port Arthur, would it not have been able to withstand the pressure of the present situation? The advantages of a transcontinental system are not conspicuous in Canada, in spite of the excellent showing made by the Canadian Pacific Railway. There is room for a suggestion that the other companies should not have been so ambitious, and should have listened to reason rather than to political persuasion.

The emphasis that has been laid upon the question of operating costs throughout the hearings and in the judgment indicates a decided inclination to take account of increased outlays by the railway companies. Declines, current or prospective, in net earnings are viewed with alarm, and although they appertain to brief, selected periods they are used as arguments for higher tolls. The Canadian Pacific Railway statement, as given on page 424 of the judgment, actually quotes a decline of \$400,000 in gross earnings for the first week of August, 1917, as compared with the same week in 1916. It is to be presumed that the company thinks itself financially weakened by reason of that single decline. Is it unfair to recall the days when earnings, gross and net, increased by leaps and bounds, and *to ask whether those increases were accompanied by reductions in rates?* Everyone knows that the railways would have treated with scorn any suggestion that increased net earnings were in themselves sufficient to warrant reductions in tolls. They would have fallen back on the argument that the earnings over a period of years must be taken as the basis. We have no hesitation in urging upon the attention of his Excellency the Governor-in-Council the necessity of judging railway earnings over a period of years, rather than in an abnormal period of a few months. If the railways are entitled to charge more for their service on account of the advances in the cost of labor and material during 1917 they assuredly should have made voluntary reductions, on the horizontal basis, in every year since 1910.

We have indicated our general agreement with the oral argument presented by Mr. Symington at Ottawa. At the same time we insist that under no circumstances will the Winnipeg Board of Trade consent to any settlement of the railway problem involving an increase of rates.

We ask that the judgment of the Board of Railway Commissioners be set aside.

We recognize that his Excellency, the Governor-in-Council, is prepared to receive suggestions that may assist in a solution of the financial problem facing some of the railways. Our Board at a general meeting held on January 11, 1918, adopted unanimously a resolution that recom-

mended Government control and operation of all railway lines in Canada during the period of the war. (This resolution is quoted in Appendix B of this argument.) We are convinced that Government control and operation should be carried into effect at the earliest possible date. We could, at the risk of disregarding the suggestion of the Right Honourable the Prime Minister, elaborate our reasons for advocating this policy. Under the circumstances our opinion on the subject may be stated very briefly. The Chief Commissioner, during the hearing at Winnipeg, was careful to exclude references to alternative proposals for curing railways ills, and there is no inclination to question the correctness of his ruling. We declare our firm belief that the financial troubles responsible for the "casualties" among railway companies in Canada can be relieved only by the application of organic treatment. This policy may seem radical and rigorous at first glance, but we are fortified by the example of Great Britain and the United States. It has been said that in every country, except Canada, now engaged in active warfare, the railway lines are under the control and operation of the State, and we have no reason to doubt that assertion. Transportation is in our opinion as important a factor in the prosecution of the war as recruiting, the supply of munitions or any other element that engages the attention of the military authorities. Viewed from that standpoint alone, the step we advocate has abundant justification. Some of the other reasons are concerned with economic considerations, and these are mentioned in our resolution on the subject. We are satisfied that the proper adjustments with respect to finances can be made at the close of the war. In the meantime the Government may consider it has a mandate from the people to enter into agreements with the various railway companies by which it will take over all the lines in the Dominion.

With respect to the policy to be followed by the Government when it takes over the control and operation of all the railways, we repeat the wording of the third clause in our resolution (Appendix B): "The details of the proposed action may be worked out by the Government in consultation with recognized transportation experts in Canada. We would offer no suggestions in this respect, other than that every care should be taken to protect the interests of the public."

All of which is respectfully submitted.

THE WINNIPEG BOARD OF TRADE
(Shippers' Section)

E. D. MARTIN (Chairman).

A. E. BOYLE (Secretary).

Winnipeg, February 4, 1918

APPENDIX A

Copy of Memorandum that accompanied the Petition of the Winnipeg Board of Trade (Shippers' Section) to His Excellency, the Governor-in-Council, under date of January 5, 1918, in the Appeal from the Decision of the Board of Railway Commissioners (File No. 27840):

The Shippers' Section of the Winnipeg Board of Trade begs to make representations to His Excellency the Governor-in-Council, in connection with its appeal from the decision given by the Board of Railway Commissioners on December 26, 1917, on the question of freight and passenger rates, as follows:

1. The decision departs from the scope of the original application made by the railway companies. That application asked for "a recommendation from the Board to the Governor-in-Council, under the War Measures Act, for a general advance in freight and passenger rates." The Board has chosen to make a ruling on its own account, without reference to the Governor-in-Council.
2. The material submitted to the Board by the companies in support of their application dealt only with selected periods of time, during which abnormal conditions prevailed. No schedule of rates can be based on abnormal conditions, or the experience derived from selected periods. The average experience of a term of years is the safe basis on which to proceed, in making any calculations of revenue and expenditure.
3. The application was lodged by the companies presumably in imitation of the example furnished by the companies in the United States, that asked the Inter-State Commerce Commission for permission to make a general advance of 15 per cent in tolls. The application was refused by the Inter-State Commerce Commission, and we believe that the reasons for that refusal should have guided the Board of Railway Commissioners to some extent in its finding.
4. Errors in railway policy, with respect to location, management or the operation of subsidiary enterprises, are partly responsible for the unfortunate financial condition in which some of the companies making this application have found themselves. It is not the duty of the people who contribute the freight and passenger revenue of the companies to atone for those errors, and increased tolls cannot be expected to provide the remedy. The responsibility should be placed where it belongs; the solution of the problems associated with the transportation situation should be discovered and applied by those who have created the difficulties.
5. The finding of the Board of Railway Commissioners practically ignores the contentions advanced on behalf of the public and the shippers, with reference to the financial position of the Canadian Pacific Railway Company. The company's representatives did not appear when the case was under discussion before the Board at Winnipeg, and the Shippers' Section had no opportunity of hearing any argument in support of its application. It is true that a written memorandum was submitted to the Board on behalf of the Company two months after the case was heard at Winnipeg, but the Shippers' Section was not furnished with a copy, and our access to it was first obtained through the reproduction of it in the Board's judgment. We maintain that the financial position of the Canadian Pacific Railway is a most important consideration, and that it should be analyzed thoroughly in any review of transportation conditions in Canada. The increase in rates ordered by the Board will provide the Company with additional revenue carefully estimated at more than \$20,000,000 per annum.* The public interest demands that transportation be conducted at the lowest level of cost to the shippers, as far as that may be done, without injury to the Company. We deny that the Company is being injured by the present schedule of rates. We believe that it would be most unfair to provide the Canadian Pacific Railway with so much additional revenue that it does not require.
6. The finding admits that rates as a whole are higher in Western Canada than in Eastern Canada, and we believe this disparity should not prevail. Until it is removed we cannot agree that rates in any part of Canada should be increased. We would go further and suggest

* Mr. E. W. Beatty, Vice-President and General Counsel of the Canadian Pacific Railway Company, has since stated that the increase would be about \$13,000,000.

that rates should be made uniform through the Dominion. In offering this suggestion we are relying upon the evident desire of the people to weld themselves into a homogeneous nation.

7. In spite of the assurances given by the Chief Commissioners during the hearing at Winnipeg, that these increases if granted would be in effect for a short time only, no indication is given in the finding that they are temporary. No date for their going into effect is set, and no period for their duration is indicated.†

For these and other reasons that will be advanced as a result of a closer study of the judgment, the Snippers' Section requests an opportunity of making representations to His Excellency, the Governor-in-Council, on a date to be fixed by the Right Honorable the Prime Minister. While we disagree with the finding of the Board of Railway Commissioners, we are prepared to discuss measures that may be expected to solve the problems connected with the transportation systems in Canada. Representations regarding alternative proposals were excluded from the hearings held by the Board, the Chief Commissioner pointing out that those were matters that should be "sent to the Governor-in-Council." (See *Advance in Rates Case*, p. 4,292).

APPENDIX B

Resolution adopted unanimously at a General Meeting of the Winnipeg Board of Trade, held on January 11, 1918:

"That the delegation appointed by the Shippers' Section to interview the Government at Ottawa in connection with the rates question, be authorized to suggest an alternative remedy for the transportation difficulties that now exist in the form of a statement of opinion as follows:

"1. The control of railways in Canada during time of war should be in the hands of the Dominion Government. The loss of efficiency, due to excessive competition in particular districts, duplication of services in many parts of the country, irregularity in operation, and unscientific distribution of equipment, is, in our opinion, responsible for most of the transportation troubles of the present day. It could be diminished, if not entirely retrieved, through a vigorous policy of Government control and operation.

"2. The example furnished by Great Britain at the outbreak of the war, and by the United States at the close of 1917, while not absolute proof of the wisdom of Government control and operation, furnishes a basis for reasonable supposition that the policy we advocate would succeed in Canada.

"3. The details of the proposed action may be worked out by the Government in consultation with recognized transportation experts in Canada. We would offer no suggestions in this respect, other than that every care should be taken to protect the interests of the public."

†The date on which the new rates were ordered to go into effect was afterwards determined to be February 1, 1918.

