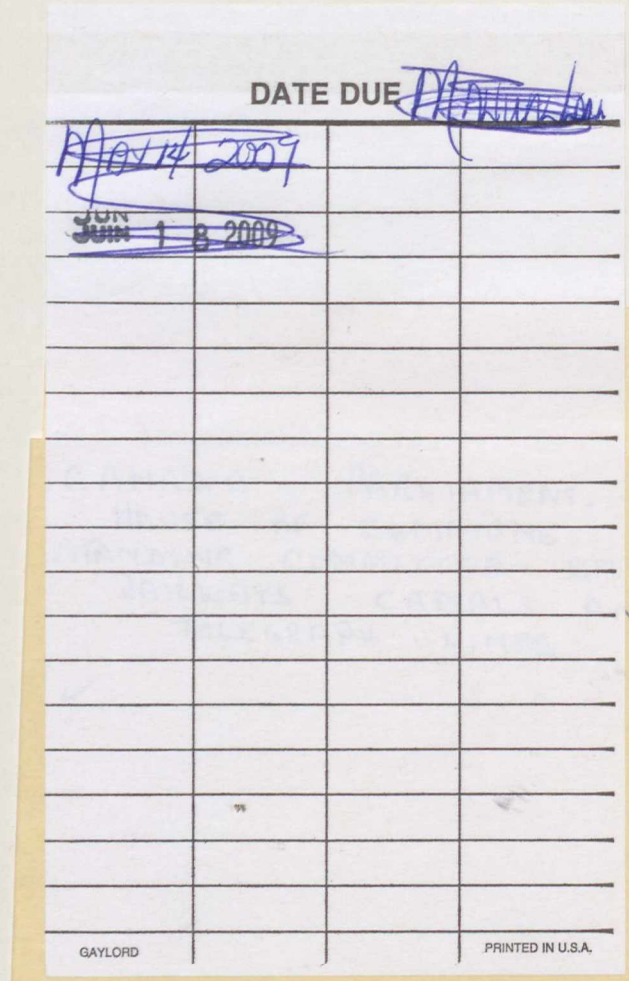
LIBRARY OF PARLIAMENT


DATE DUE
MAY 14 2009
JUN 1 8 2009
GAYLORD
PRINTED IN U.S.A.

J
103
H7
1964/65
R35
A1
v. 2

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

TUESDAY, DECEMBER 1, 1964

Respecting

Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

WITNESSES:

From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman and Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Chairman and Mr. George Pogue.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21238—1

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Armstrong
Balcer
Barnett
Basford
Beaulé
Béchard
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Caron
Cooper
Cowan
Crossman
Crouse
Éthier
Fisher
Francis
Godin
Granger
Greene
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Irvine
Kennedy
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Macdonald
MacEwan
Mackasey
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Peters
Pugh
Rapp
Regan
Rhéaume
Rock
Ryan
Southam
Stenson
Tardif
Tucker—60

(Quorum 12)

D. E. Lévesque,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, December 1, 1964.
(17)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9:45 o'clock a.m. The Chairman, Mr. J. T. Richard, presided.

Members present: Messrs. Armstrong, Barnett, Beaulé, Béchard, Cantin, Caron, Cowan, Crossman, Fisher, Hahn, Leblanc, Lessard (*Saint-Henri*), MacEwan, Mackasey, Olson, Pascoe, Peters, Regan, Richard, Rock, Stenson, Tardif and Tucker—23.

Witnesses: From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman, and Mr. D. L. Macdonald. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railways:* Mr. K. D. M. Spence, Commission Council, and Mr. George Pogue.

The Committee resumed its consideration of Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

Clauses 1, 2 and 3 were adopted.

Clause 4 was allowed to stand pending additional information from Mr. Macdonald.

Clauses 5 and 6 were adopted.

On Clause 7, Mr. Caron moved, seconded by Mr. Beaulé—

That after the word "ten" in line 10 page 2, insert the words "at least two of which shall be French Canadians". (*Translation.*)

The Chairman put the question and the motion carried by a show of hands, Yeas: 8; Nays: 7.

Clause 7 was adopted as amended.

Clauses 8 and 9 were adopted.

At 12.30 o'clock p.m., the examination of the witnesses still continuing, the Chairman adjourned the Committee to Thursday, December 3, 1964, at 9.30 a.m.

D. E. Lévesque,
Clerk of the Committee.
(*Pro tem*)

Note—The evidence, adduced in French and translated into English, printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

21238—1½

EVIDENCE

TUESDAY, December 1, 1964.

(*Text*)

The CHAIRMAN: Gentlemen, we have a quorum.

I am very hopeful that we can make some progress today with the bill before us. I would remind the committee that this bill has to do with the incorporation of a company to administer a terminal in Ottawa. Wherever the terminal may be located eventually, the terms of the incorporation apply.

I hope that after what I would term the long discussion that we have already had on the proposed site—and some will call it the actual site—of the terminal in Ottawa we will not extend that discussion at too great a length but rather proceed to the articles of the bill, which do not deal with the location but, as I said before, with the administration of the terminal wherever it might be located. However, I am in the hands of the committee.

I know that before we proceed with the sections some members of the committee will have some questions to ask of the officers of the railway companies who were before us last Thursday, so I will call upon Mr. Macdougall and Mr. Spence to sit here.

The meeting is open to questions.

For the information of the committee, we are still on clause 1.

Mr. BARNETT: Mr. Chairman, while I appreciate what you say about the technical situation as far as the bill is concerned, I would agree with you that the principle of the incorporation of the Terminal Railway Company is really not in question. As far as I personally am concerned, I think it is quite evident from some of the questioning that took place in our earlier session that the main point of interest, at least as far as some of the members of the committee are concerned, is the question of location of a new station.

I for one would like to take advantage of the opportunity of having heard from General Clark of the National Capital Commission and to take advantage of the fact that we have representatives of the railway companies here because I think their point of view on the matters involved should be important to the committee.

The CHAIRMAN: Will you go ahead, Mr. Barnett.

Mr. BARNETT: I would like, quite frankly, to know something of the viewpoint of the railway companies on the proposed change which involves moving the railway station from what some of us think is a very convenient and central location for—according to figures that I have digested from the Senate committee evidence—a very large proportion of the travellers coming into Ottawa by rail.

I have not the quotation before me, but certainly when this bill was up for second reading in the house I gained the impression from the Minister of Transport that the railway companies themselves were not originally very enthusiastic about the idea of having the terminal diverted from a central location. In fact, if I remember correctly, he used the term that it took a good deal of arm twisting of the railway companies to get them to agree to the arrangements which are outlined in the schedule to the bill.

My primary interest is to find out what the railway companies feel about the removal of the station from the point of view of their passenger business

and their viewpoint on its relevant convenience for passengers, and also to know something of what would be the operating situation if, as some of us were suggesting or arguing the other day, provision were made for a new station, either an extension in effect of the proposed terminal or of the terminal of the city for operation of railway passenger trains.

Some of us were raising questions as to why it would not be quite feasible and practicable to have a line or two, or whatever would be required, to bring passenger trains into a terminal that could be incorporated in some of the new buildings or in the buildings planned and proposed for the redevelopment of this area.

I wonder if both the gentlemen who are here from the railway companies will tell us something about their viewpoint on the question.

The CHAIRMAN: Mr. Spence, Mr. Macdougall, have you any comments to make on that?

Mr. K. D. M. SPENCE, Q.C. (*Canadian Pacific Railway, Montreal*): Mr. Macdougall explained at the last meeting the position of his company, and I think he could very well have spoken for both of us.

We were not dissatisfied with the location of the station where it is now but this matter was put up to us as the whole reorganization of the plan of the city of Ottawa in the national interest, and Canadian Pacific certainly did not feel that it should try to obstruct or block that in any way.

As the plan developed and was put before us we could see that there were advantages as well as disadvantages in the new location of the station. For example, one of those advantages is that it will cut 10 or 20 minutes off the time of our trains. The disadvantage of returning to the present location would be that that time would have to be added to the schedules of our trains and the trains would have to be turned and backed into the station or turned when they came out of the station.

We realized also that the highway development of the area was going to put the location of the new station in a very convenient and accessible spot from the surrounding parts of Ottawa.

A large number of the office buildings and industries and so on are accessible to the Queensway. The station will be right on the Queensway. With those changes Hurdman might be a better location from the point of view of the whole general public of Ottawa than down in the congested part of the area where it is now.

We therefore tried to co-operate in every way we could thinking, as I say, that there were advantages to balance the disadvantages; and we did not think we should obstruct the plan.

Mr. BARNETT: I myself can see from the point of view of a resident of Ottawa that there might very well be some conveniences in the proposed new location, but the question in my mind—and it is indicated by the statement given in the evidence before the Senate—is that a very high proportion of the actual passengers travelling by train to Ottawa are people who come in from the outside to do business largely with various government offices.

Obviously, the major hotels are located close to the present terminal and there is a proposed large new hotel in that same area. It is obvious to me that it might suit the convenience and comfort of the very large proportion of railway passengers to be able to arrive at their hotel, as I suggested, in much the same way that passengers are able to arrive in the terminals in Montreal with the development that has been taking place there.

I think this is a concern of some of us. Those of us who are members for other parts of the country I hope will not be overbalanced in our judgment by the fact that we also happen to be people who do our business in a location close to the present station.

I am particularly interested in this matter of the comfort and convenience of passengers and therefore, I suggest, the relative attractiveness of rail traffic as against some other mode of traffic which at present exists because of the advantage of being able to step out of one's plane and into one's hotel.

Mr. SPENCE: May I just say a few words before Mr. Macdougall speaks? I have not kept any statistics myself but I come to Ottawa very very frequently and I just wonder how many people do find this present location more convenient.

As I have stepped off the train I have watched to see where the people have been going. It does seem to me that the great proportion of the passengers after they come out of the gate turn to the right to the taxi stand or to the place where their own cars are parked. There are a few people who go across to the hotel; but I think the great majority go to the automobiles.

At the new station there will be much more accommodation for parking of cars and better accommodation for taxis. Therefore, from my own observation I think it may be just as convenient, if not more convenient, for the public at the new location as it is at the present location.

It is true that there will be a few people who will want to go to the Chateau and who will be unable to walk through the tunnel; they will have to take a taxi. However, the proportion of the people going to the tunnel and to taxis seems to be preponderantly in favour of those going to taxis.

Mr. COWAN: What will be the comparison of cost? What will be the cost of taking a taxi at the station and going wherever you want to go as compared to the cost of getting in a taxi at Hurdman? They have a short haul from the central station but they will have a long haul from Hurdman's bridge.

Mr. J. W. G. MACDOUGALL, Q.C., (*Canadian National Railways*): I do not know that you can make such a statement categorically.

Mr. COWAN: I did not make a statement; I asked a question.

Mr. MACDOUGALL: Well, I do not know that I would make the statement that because I was getting off at Hurdman's bridge rather than at Union station I would always have a longer taxi ride or longer transportation requirements.

The point you have made, Mr. Barnett, is interesting because we are concerned with the transport business and we are also concerned with the hotel business.

We were not enamoured of this idea when it was first proposed but it was proposed, and in examining the whole package our decision was that while there is good and bad in every major package one has to deal with, the problem is to weigh the good and bad, to weigh the complete thing and make the best decision in the circumstances. I think that is what was done. The railways were made whole in the working arrangement.

In the Lou Cather study which was made in 1960 for the National Capital Commission in connection with whence people were coming and where they were going, a pretty good idea of people's habits was given. Their finding was, you will remember, that of the total number of people coming to Ottawa approximately 8.7 per cent came by rail. That report gave the figure of 87.3 per cent coming by highway.

Of course, we are interested in the rail people; that is our interest. Therefore we wanted to know where they were going, and they broke this down to show that of the rail passengers coming here 28 per cent who come into Union station walk to their destination. Presumably those are the people coming in to the centre of the city so-called, the core of the city, as they are walking to their destination. Probably there is another group of people who come into the centre of the city but on some wider periphery, and they might take a taxi.

The Cather report figure was 28 per cent of the people who came by rail walked from Union station; this was in 1960.

Since that time, as you will recall, the Department of Public Works has moved to Confederation Heights; they were formerly here close to the centre. The Post Office Department has moved to Confederation Heights and the Canadian Broadcasting Corporation has moved to Confederation Heights. The Department of National Health and Welfare has moved to Tunney's Pasture, and the Department of Agriculture is preparing to move from the present centre so-called, farther out.

We have come to the conclusion, therefore, that if we were to make this study today we would probably find that of the 28 per cent fewer would walk from Union station to their destination because we know that a great preponderance of the people coming in by rail—I think somewhere around 50 per cent—were going to the Department of Public Works in respect of their daily business.

We have concluded that even the 1960 position, which was not too bad but nevertheless was not too favourable to us, has improved much in favour of the railroads because of the changes in the major departments which have moved away from the present centre, and we think we will perhaps be better oriented to the proposed new centre. Therefore our thinking has been that our position in this regard has improved. It was one of the things about which we were not too keen but we think it has improved because of the new location.

It is true that the proposed station will be approximately two miles away from Confederation square by road. You have heard General Clark talk of the proposals in that regard.

The other disadvantage we feel is that there may be some adverse effect on the Chateau Laurier patronage. As far as the Chateau is concerned, in 1954 our patronage by people arriving by rail was about 27 per cent of the total. We do not expect to lose much of this because we think it will be reasonably acceptable to the new station compared with the configuration that exists in other cities of the country, and we have provided additional parking in the rear of the Chateau Laurier. As you are aware, the over-all parking plan for the centre of the city contemplates additional space. So since our major volume is coming by highway we think we will pick up more coming by highway. If we happen to lose a little by rail, we do not think we will lose too much. In the over-all view we think the Chateau will not be affected very much taking all the considerations, both road and rail, into account.

There are some advantages that have to be considered at the new location. If you are thinking of the convenience of the person travelling by rail in a context of time rather than in one of miles or space, one advantage is that the new station will be located, as General Clark said, just off the Queensway and, as I understand the plan, the Queensway goes practically across the city of Ottawa. There will be good access north and south to the Queensway. People coming to the station and going somewhere in Ottawa or people working or living in Ottawa and going to the station should generally have an easier access to and from the station than they have presently because they will be able to get to the Queensway and then directly at fairly rapid speed to the new station.

Another point is that we have parking space at the present station for five cars and we are providing parking space for 160 cars at the new location. For the man who wants to drive to the station, take the train to Montreal and come back it will be possible to take his car to the station, park it, go on the train and come back to his car at the station. That will be convenient for the kind of commuter operation mentioned the other day for people wanting to go quickly to Montreal from Ottawa; this will be easier from the new location.

From the point of view of taxis and other transportation, the situation will be much easier at the new location; and it should be because we are planning a new facility there. We will have at the new location a through train operation through our passenger terminal open at both ends. We will get rid of the stub end rail operation which necessitates backing in and out of the station as is the case now. This is an advantage which will help generally in our service to the public, and of course we will have up-to-date design and facilities of all kinds at the new location, which are always preferable to something 40 or 50 years old.

Taking all these things into account and thinking of our ability to serve the public and the ability of the public to get to and from the railway station, and considering the over-all effect on the hotel taking into account both the highway and the rail side, we have come to the conclusion that while originally we did not care for this move, with the changes taking place and with the movement of the centre of gravity of the city we are satisfied that we will not be adversely affected. We think the public will be perhaps better served than they are at present.

(*Translation*)

Mr. CARON: The people of Ottawa are the only ones who were taken into consideration. You gave no thought at all to the people of Hull and the railways tend to reduce the passenger service in that way. The citizens of Hull will have much farther to go to get to the new station than now. What is the distance between the present station and the new one?

(*Text*)

Mr. MACDOUGALL: About two miles from the present station to the new station.

(*Translation*)

Mr. CARON: At least two miles. That means from four to five miles from Hull to the new station, instead of two or two and a half which is a tremendous difference. It looks as if you want to do away with all the passenger trains between Maniwaki and Ottawa, between Portage-la-Prairie and Ottawa. There are only two trains left between Montreal and Ottawa, and I am wondering if you are not thinking of doing away with them soon and then the citizens of Hull will be so far away from the station that they will begin to wonder whether it would not be better to go by plane than by train.

(*Text*)

Mr. SPENCE: I think perhaps the answer should come from me because the operation on the north side of the Ottawa river, between Ottawa and Montreal, belongs to Canadian Pacific. It is true we have proposed to discontinue some of our trains between Ottawa and Montreal via the north shore. I know that no application has been made to discontinue all the services. The trains that are being better patronized are continuing to operate, and, as I said at the last meeting of this committee, we do not discontinue trains that are making money. For us, as long as they are patronized well and earn proper revenues, we are happy to keep them running. We have passenger facilities in Hull, and those facilities, I believe, under this plan are being improved and enlarged, and while passengers may have to travel further to reach the Union station in Ottawa, they still have good passenger facilities in Hull itself. Of course, it depends on where you are going, but whether you are coming from Hull to the present Union station or to the new Union station, it is almost inevitable that you would use more transportation of some kind, and an extra two miles will not make too much difference. Furthermore, there will be additional highway facilities from Hull to Ottawa which would make access easier than it is at present.

(*Translation*)

Mr. CARON: That is a considerable change from the Gréber plan which provided for a station in the west and another one in the east. The eastern station, on the Hull side, would have had most trains and above all the fast trains between Ottawa, Hull and Montreal, because there are twenty miles less. At the present time all the fast trains are on the Ontario side. All we have is the slow train which stops at every station and that is why fewer people are taking it. I can understand the companies wanting to earn money with their passengers, but they should not forget that they make money with freight and other transportation. I quite understand that you can come to Ottawa without coming to Hull, but some trains should come to Hull. You should take it all together, freight and passengers and see whether the company can earn money and not just take passengers on one side, and freight on the other. That is where I fail to understand the companies. I remember that in 1936 I said to the vice-president of the Canadian Pacific in Montreal: "You should take over the bus services and road transport because you are being gypped". And the vice-president of the Canadian Pacific of those days said to me: "It is only a passing fancy". Well if it was only a passing fancy he lacked judgment in those days, and they may well lack judgment at the present time.

(*Text*)

Mr. SPENCE: I do not know just what the question is.

The CHAIRMAN: Have you any other questions, Mr. Caron?

Mr. CARON: The question is this: We were speaking of losing money or of making money on the passenger service. I know you have to put the whole thing together; you have to put the freight and the passenger service together to see if you can make money or if you are losing money on the two services, not only on one because one is the complement of the other. I do not think railway companies have been created only to make money. They have also been created to give a service, and that is not what they are giving now. They are cutting down the service to the people just to make money on freight. I do not understand this and I do not see why they are doing that.

Mr. SPENCE: We have been faced for years with criticism from the freight service that their rates were unnecessarily high because they were having to contribute to our losses in the passenger business. We have felt that the passenger business should stand on its own feet and that the freight business should also stand on its own feet. There was considerable justice in the complaint of the shippers that they should not have to subsidize the passenger service.

Mr. CARON: You say the freight charges are high? I do not think they are so high because in some cases you have reduced the freight so low that transport by road cannot compete. That does not mean the rates are too high. If you take canned goods or beer, you can transport it cheaper by rail than by any other means such as by road transport.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I do not think it is in order to discuss freight transport; we are here to discuss a station.

(*Text*)

The CHAIRMAN: Mr. Caron, I think you were making a point at first about the fact that the new station was located far away. However, I am sure you would not want to get into a discussion of the freight rate and passenger services, which will come under another bill, Bill No. C-120, which will come before the committee in the spring. These men are not qualified to discuss

freight rates and passenger line abandonment services, et cetera. I would like you to relate your question to the bill, if you can.

(*Translation*)

Mr. CARON: Mr. Chairman, I maintain that that is because they are thinking of taking out the train on the other side and sending it two miles away from Ottawa, and the people of Hull will have two or two and a half miles more to travel and, from what they say, all because of the cost of freight. This has something to do with transport and I maintain that if such is the case I have the right to discuss the matter. That is why I have been trying to-day to find out what connection there was. They say that transporting freight is too expensive and I have proved to them that it is not too expensive because it is less expensive than highway transport. So all that is connected with transport.

The CHAIRMAN: Mr. Caron, it was not the railway companies who decided to put the station there. It was the National Capital Commission who decided that.

Mr. CARON: Maybe the National Capital Commission did decide that but it was after consulting the railway companies, therefore the companies had as much to say in the matter as the National Capital Commission. It was necessary to convince them that they should accept.

The CHAIRMAN: Will you first address your questions to the witness so that he can answer you and so that we can decide where to locate the station.

(*Text*)

Mr. REGAN: Mr. Chairman, on a point of order, pursuant to what you have just said and in partial objection to the whole line of questioning we have heard from a number of the members of this committee, it appears to me that all this bill does is to set up an agreed method of carrying out decisions which have already been made in the past by bodies that have had the authority to make such a decision, and that this is merely setting up a method for carrying it out. I do not think that the objections here should deal with the location of the railway or with what lines are to be abandoned, but only with questions on whether this should be carried out by the setting up of a separate Ottawa terminal railway company. If we go beyond that, are we not actually out of order?

The CHAIRMAN: I do not think that is the entire point, Mr. Regan. I did say at the opening this morning that in order to pass such a bill we should know something about the reasons why the station will be located at a certain site which has been agreed upon by the railways and the National Capital Commission. It is true I was hoping that as soon as possible we could dispose of a bill which is rather simple and which deals only with the administration of a terminal wherever it is located. I really think that the point we are making, or that some of the members are making, as to the advantages or disadvantages of the location at the present time are points which should be made in the house when that bill comes for approval. At the present we are only dealing with a bill which relates to the administration of the terminal.

Mr. TARDIF: Mr. Chairman, I agree with Mr. Regan. Everything that we speak about which does not pertain to Bill No. S-33 is out of order. In no place in this bill do we deal with the location of the station, and in no place is the schedule of the trains or the cost of the freight dealt with here. This bill merely deals with a company for the administration of the station which is located in a spot which has already been agreed to by all the people who have the authority to do so. All the time which we waste on other things than that is purely a waste of time.

The CHAIRMAN: I would not say that. Under clause 9 there is a provision for the company to acquire a railway located at a certain place in or about the city of Ottawa. I think we are getting along pretty well at this time and I do not think we will succeed in limiting the discussion, providing it is orderly. I think we have pretty well exhausted the subject. I would rather like to feel that members have had the full opportunity to say what they have to say on this subject of the location this morning, especially because of the fact that for seven or eight years we have not had the opportunity to discuss matters which relate to actions taken by the National Capital Commission. I would not like some members to object directly to the line of questioning which has been taken by some of the members who, I think, have been pretty fair and have shown this morning that they are proceeding to the point where we may dispose of that problem for the present and leave it to the house later.

Mr. BARNETT: I have one follow up question. It is a question which I would like to have clarified.

(*Translation*)

Mr. BEAULÉ: Are we going to deal with the point of order or with the bill. Some members have requested permission to speak and have not yet been allowed to do so.

Mr. LESSARD (*Saint-Henri*): Mr. Chairman, I think you should decide whether or not you are going to allow Mr. Caron's question. In my opinion the price of transport has something to do with the matter. If you do not allow Mr. Caron's question, if we are only here to decide on the location and if we cannot make any comparisons, I see no purpose in discussing the matter.

The CHAIRMAN: I have not turned down anyone's questions.

Mr. LESSARD (*Saint-Henri*): You said it was out of order.

The CHAIRMAN: I merely told Mr. Caron that this was not the place to discuss the abandonment of passenger services throughout Canada or freight transport, as these matters will be dealt with later on when we discuss Bill C-120. If Mr. Caron will limit himself to the problem insofar as it is related to the Ottawa and Hull stations that will be quite in order—

Mr. CARON: And abandoning the lines on the Hull side—

The CHAIRMAN: Yes.

Mr. CARON: And in the appendix you see—

Mr. BEAULÉ: Mr. Chairman, on the same point of order—

(*Text*)

Mr. BARNETT: You must recognize me, Mr. Chairman.

The CHAIRMAN: Mr. Beaulé is speaking on a point of order.

Mr. BARNETT: I am raising a point of order. I started my questions and I thought somebody wanted to get in a supplementary question. I have one more question to ask.

The CHAIRMAN: Mr. Beaulé is on a point of order.

Mr. BARNETT: My point of order is that you should recognize me. The honourable member interrupted me before I asked my question and I would like to ask my question now.

The CHAIRMAN: But he is on a point of order.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, if you allow these questions to be discussed here in relation to the bill, I think it is going to open too many doors and we shall spend too much time on the bill. If you are going to allow these questions then I shall have some to ask this afternoon about other matters concerning

the railways with regard to giving up trains, moving the stations, etc. I think we should keep to the bill but if you allow other questions I think I also have the right to ask the representatives of the Canadian Pacific some questions concerning Quebec, because at the present time we are discussing Hull and I have some questions to ask about the city of Quebec.

The CHAIRMAN: Very well, now, Mr. Beaulé.

Mr. CARON: Hull is closely connected to Ottawa; it is not the same thing as the city of Quebec.

(*Text*)

Mr. BARNETT: Mr. Chairman, if I may say so, I think the question which I would like to have clarified has a direct relation not only to what I was asking earlier but to a question that came from the member from Hull and from others. I have not objected to this line of questioning. What I would like to have clarified, in view of the remarks made earlier by the railway representatives in respect to the proposed relocation of the station, is the responsibilities of the Ottawa Terminal Railway Company in relation to transportation from the station. Is this to be part of the responsibility of the company? Will transportation facilities directly to any point be operated by the Terminal Railway Company? As I understand it, it is directly related to the provisions of Clause 9 as set out. Will the C.N.R. run a direct service from the station to the Chateau Laurier? In other words, is it the responsibility of the proposed railway company, or do they anticipate establishing non-rail facilities for quick transportation of passengers from the train to any other point?

The CHAIRMAN: Do you not think that this comes later in the bill under Clause 10(g)?

Mr. BARNETT: I realize that, but it seemed to me it could be dealt with perhaps while we are still on Clause 1.

The CHAIRMAN: If you get into the question of the transportation which is dealt with under Clause 10(g), you will open up a whole new field. I would like to dispose of the first question which is before us now, dealing with the relocation of the station.

Mr. ROCK: Have you ruled on that point of order which was brought before us? I believe that we should discuss all the merits of this bill in general, and therefore I think Mr. Caron is in order in discussing parts of it directly or indirectly. I do not think we had a ruling from you.

The CHAIRMAN: I told Mr. Caron that as long as he limited his questions to the railway transportation which exists now from Hull to the station in Ottawa, he is in order.

Mr. CARON: And which may exist in the future. They are asking to cut off freight out of Montreal.

The CHAIRMAN: Order, please.

Mr. ROCK: I was not finished with you yet, Mr. Chairman. I would also like to know who is next in the line of speakers.

The CHAIRMAN: If the points of order are exhausted, you are the next one.

Mr. HAHN: May I ask a quick question on a point of order? Are we going to go through the agreement or the memorandum in the bill section by section, or, while we are on Clause 1, is this the time to ask questions that arise from it?

The CHAIRMAN: We will go through the agreement clause by clause.

Mr. COWAN: Will the two lawyers be present while we are going through it clause by clause? Will they be here to answer questions?

The CHAIRMAN: Yes.

Mr. ROCK: Mr. Chairman, I would like to ask Mr. Macdougall a few questions. First of all I would like to mention the fact that I asked the chairman of the Capital Commission, General Clark, some questions as to the merits of the relocation of the station, I asked whether alternative plans were studied before the decision was taken to relocate the station. At a previous meeting Mr. Peters brought up the point regarding steam engines. This got me to thinking as to the timing at which the decision was made. I understood this decision was made before General Clark became the chairman of the commission. It was made around 1950, during the time of the steam engines. I can understand that at that time many municipalities and many cities wanted to get rid of a station in a central area where it caused a lot of smoke and steam. I would not be surprised if at that time the commission had the same thing in mind. I would like to know from Mr. Macdougall whether any study was made since that time on the matter of keeping the station in its present location, and whether the commission was asked to restudy their ideas. Today we have diesel engines, at least I think we have had them since 1957 or 1958. Since then the whole picture has changed. I would like to know whether the C.P.R. or the C.N.R. asked the commission to restudy the whole situation because of the fact that steam engines are not in operation any more.

General Clark more or less stated that they had this in mind period, and they did not have any alternative plans. In other words, they did not have the situation of having plan number one and, if this did not work, having plan number two or plan number three or plan number four as alternatives.

I would like to know from the two gentlemen from the Canadian Pacific Railway and Canadian National Railways whether they produced any alternative plans to the commission, or anything to that effect.

Mr. MACDOUGALL: My understanding of what took place is that the basic decision to put the union station in the presently proposed new location was made in about 1959. I do not recognize the date of 1950. Before that it seemed to me that the earlier plan, as I understood General Clark's explanation, was that the station was to be moved much farther out than presently proposed. This was restudied by 1959, and it was then decided to put it in the presently proposed new location. Of course, we had the diesels at that time. I do not think there is anything of which I am aware which went back to the 1950 decision which was based on factors at that time which have changed in ten years.

In accordance with our understanding, there was a re-examination some time prior to 1959 and then a new decision was made at that time.

Mr. ROCK: Yes, possibly the decision was made but I believe the commission itself had it in mind to move the station in 1950. I can understand when you say the decision was made to move it away out at that time, and possibly the reason was because of the smoke and dust and whatever nuisance trains caused in those days.

The CHAIRMAN: Mr. Rock, would you not like to put that question to Mr. Macdonald of the National Capital Commission?

Mr. ROCK: No, because these questions have been more or less answered by them in the past and I want to know the story from Canadian National Railways and Canadian Pacific Railway. I want to know whether they made any objection or whether they tried to bring any alternative plans to the commission.

Mr. Chairman, you have to understand that even if the commission has an all-out plan to relocate the railway stations, I am sure that possibly Canadian National Railways and the Canadian Pacific Railway had plans which they would submit to the commission, or if they had any objection they possibly would submit that. For instance, what brought about the decision to move the central station closer to the city than had originally been intended? The first plan was to

move it away out to Walkley road, and now the plan is to move it close to Alta Vista. Therefore some change was made. What was the reason for this change?

Mr. TARDIF: In answer to that may I say that, though I should not be answering the question, I was on the planning board at that time and the principal reason for moving the station was to eliminate 70 level crossings.

Mr. PETERS: That does not explain why it was brought back.

Mr. TARDIF: It was not smoke or anything else; it was a matter of the level crossings.

Mr. MACDOUGALL: The original plan, as I understand it, was one of city planning or town planning in the capital city of Ottawa, and one of the major purposes was to eliminate the multiplicity of level crossings. The original decision was to go much farther out to the Walkley road area and then, following developments and further study in 1959, it was decided to bring the station in. All the factors were considered at that time by everybody concerned. That is the sum and substance of it.

Mr. ROCK: Can you give a summary of the reasons for which they moved it back from Walkley road?

Mr. MACDOUGALL: I think General Clark gave that in detail.

Mr. TARDIF: I was chairman of the planning board at that time in 1959 and I can tell you that the reason it was brought nearer was because it was possible to eliminate the 70 level crossings while at the same time having it nearer the town. There was also the fact that the road situation to the centre of town would be a lot easier because it would be possible to make a four line highway directly into the heart of the city.

Mr. PETERS: May I ask a supplementary question? Was there any reason for not planning it to eliminate all the level crossings?

The CHAIRMAN: Order, order. Are we going to put Mr. Tardif on the witness stand?

Mr. TARDIF: I wish you would.

Mr. ROCK: I am satisfied with the explanations. General Clark did mention the fact that this was more centrally located. He mentioned that this was where the Queensway was to be cut through and the fact that the accumulation of traffic would be centred on the main highway, which is the Queensway. This was one of the main reasons why they brought the station closer; it was to be closer to the main highway where most of the traffic would have easier access to the station. Therefore I am very satisfied with the answer.

The CHAIRMAN: Are there any other questions?

Mr. PETERS: I have just one question.

The railways must have some plan; they have a plan for abandonment of railways and a number of other things. Is this business of moving the railways out of the city into a suburb, or even farther out, a program of the railways?

Mr. MACDOUGALL: No, as far as Canadian National Railways are concerned I do not think we have any over-all program of this kind, but individual cases are dealt with on their own merits, and I mention Saskatoon as an instance of a place where we have redeveloped our station property.

This is something we have engaged in a good deal across the country, and we have tried to get private industry interested in property we have in the centre of the city in order that relocation may take place in urban areas. We have moved the station some distance from the centre of the city of Saskatoon and redevelopment is going on in the centre of the city, much as in Montreal and in Moncton, New Brunswick, and various other areas. We are certainly interested in our urban areas if we can find good passenger facilities.

Mr. PETERS: Your passenger service is consolidated.

Mr. MACDOUGALL: I am not sure that I understand what you mean by consolidated.

Mr. PETERS: You do not need as big a station as you used to need.

Mr. MACDOUGALL: In many cases no.

Mr. PETERS: Could you tell us offhand how much money and consideration you obtained from the National Capital Commission for agreeing to this plan?

Mr. MACDOUGALL: I could not answer that.

Mr. PETERS: Was it extensive?

Mr. MACDOUGALL: The basic premise has been maintained that we have been made whole, and this is a combination of a number of things. It is difficult to put a figure on it.

Mr. PETERS: You have valuable properties with the 10 or 12 lines running through the city. For this you must have obtained a considerable amount of cash. It must have cost the Canadian government—not necessarily the city of Ottawa but the Canadian government—considerable money to pick up your holdings in the lines.

Mr. MACDOUGALL: We have received some benefits and we have given some of our facilities to the National Capital Commission. We have been made whole on the complete deal. I do not know that we have exacted more than our due and I do not think we have got more than our due.

Mr. PETERS: You cannot give any figure?

Mr. MACDOUGALL: No.

Mr. PETERS: Can you, Mr. Spence?

Mr. SPENCE: No.

Mr. PETERS: Why can you not give any figure? You are putting in a completely new line and you know how much it costs; you know how much the station facilities mean to you; you know how much property you had before. This has all been evaluated by the National Capital Commission, I am sure. Why can the committee not be told in exact figures what the deal was? This must have been a very interesting arrangement.

Mr. MACDOUGALL: I can make one comment on it. If you look at the agreement and at the whole of the arrangement, not only land transfers but property transfers, you will realise that values have had to be put on old things and new things. It is a very complicated rather than a very simple calculation to arrive at the plusses and minuses.

Mr. PETERS: I am not suggesting it is simple, but knowing the railways and the computer systems they have I know they must be able to arrive at a balance in the end.

Mr. MACDOUGALL: That is the explanation.

Mr. PETERS: It is the explanation but it is not an answer.

The CHAIRMAN: Maybe you can ask General Clark when we call him.

Mr. Rock: I would like to make a little comment.

The Canadian Pacific Railway and Canadian National Railways usually, as Mr. Macdougall says, have no general plan of changes but I must say they do co-operate with any municipality whenever a change is to be made. Within the city of Lachine, for instance, when there were relocations for a humpyard there was complete co-operation between the Canadian Pacific Railway and Canadian National Railways and the local city authorities, and I think they are doing the same thing here with the city of Ottawa.

Mr. REGAN: Perhaps I am dealing in repetition, Mr. Macdougall, but I would like to clarify for the benefit of all the committee, since we are discussing this aspect of it, and say that I presume in deciding upon the location of the new station there were consultations between the railways and the National Capital Commission. Is that accurate?

Mr. MACDOUGALL: Yes.

Mr. REGAN: I also presume that in determining the location you took into consideration accessibility to the largest portion of the population in the Ottawa area and that the Queensway passing by was a factor in the location.

Mr. MACDOUGALL: I am sure that was so.

Mr. REGAN: I also presume that your railway would have had considerable experience in determining accessibility and the best locations from that point of view in other cities where you have made changes; is that accurate?

Mr. MACDOUGALL: Yes, we have studied the same problem in other locations.

Mr. REGAN: On the basis of your experience would you agree with my conclusion that the new location of the station is much better from the point of view of getting to the station for the great mass of the population of this city than the present location?

Mr. MACDOUGALL: I think when you think of it in terms of time and compensation at the station that is quite right. It should be easier for people to get to it and from it and to move about the station when they get there. It is not going to be so confined; there will be more space to manoeuvre at the station and it will be easier to get to and from it.

Mr. REGAN: In other words, having the station in the heart of the downtown business district as in the present situation—not recognizing the manner in which this city has grown and is likely to continue to grow—would be like having a station in London alongside Buckingham Palace?

Mr. MACDOUGALL: It does not necessarily mean that because a station is in the centre of the city it is the best location for all the people who use the railway.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, we have been allowed to talk about Saskatoon and Lachine and I hope you will allow me to talk about Quebec too. But before doing so I would like to ask Mr. Macdougall if he intends to establish a service like the one at the airports to carry passengers from the station to the centre of the city at a reasonable price.

The CHAIRMAN: Where?

Mr. BEAULÉ: At the new station here in Ottawa.

(*Text*)

Mr. MACDOUGALL: I do not think it is the normal practice of the railway to provide free transportation for its passengers from the railway terminal to any particular point.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I did not say anything about free transportation. I asked that a transport system be established at the station in the centre of the city, such as there is at the airports, at a minimum price.

The CHAIRMAN: Mr. Beaulé, other members have asked the same question. I referred them to section 10 which we shall deal with later on.

Mr. BEAULÉ: I have not finished, Mr. Chairman, I have some other questions. A moment ago the representative of the Canadian Pacific spoke of a parking lot for passengers. Is that parking lot going to be managed by private enterprise or will it belong to the company?

The CHAIRMAN: That also comes under section 10: powers of the company. Mr. Beaulé.

Mr. BEAULÉ: One other question Mr.... A while ago we were discussing level crossings, etc. for that station... Have you any other projects? For example, have you spoken to the city of Quebec about eliminating level crossings. Is any thought being given to building a station outside the city. The problem is just as serious as here in Ottawa.

(*Text*)

Mr. MACDOUGALL: Well, Mr. Beaulé, I spoke about Saskatoon because it came immediately to my mind. There may be others but this always, of course, depends upon the planning between the railway company and the municipalities concerned, and the interest the public may show in the lands that we may hold in the centre of a city for redevelopment purposes.

In many areas we invite people to come forward and to carry out redevelopment programs but these, of course, must take place in a manner which is consonant with our ability to give service to the public.

So just where this will happen in the future, I do not know; but our policy is that where we can redevelop our properties in urban areas, we endeavour to do so.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have another question. We have talked a lot about railways, transport etc. I am now thinking of the employees. If the station is relocated outside the city would it involve a lot of layoffs?

The CHAIRMAN: That matter was discussed at the other meeting, Mr. Beaulé.

Mr. BEAULÉ: Mr. Chairman, as I did not attend the other meetings, I was sent abroad, I think I am entitled to an answer from one of the witnesses.

(*Text*)

Mr. MACDOUGALL: This is the point that was raised before. I have explained with respect to employees that we follow the practice here that we follow elsewhere of dealing with the authorized representatives of the employees to make detailed arrangements about the setting up of a new organization when this occurs.

We have held meetings already with the organizations of the employees in the Ottawa area. We have discussed with them our plans as far as we know them, but we have had to tell them, quite naturally, that we only have gone so far as to ask for the incorporation of the new company. It has not been approved yet; we have not had time to deal with them in detail about who is going to work in the new terminal and just how it is going to be manned. This will take place over the next two or three years.

We have started formal discussions with the employees and there will have to be discussions between the Canadian National Railways and the Canadian Pacific Railway as well about how the new organization is going to work out. But this has worked out very satisfactorily, if I may say so. The employees' representative organizations are quite satisfied with the manner in which it has proceeded to date.

(*Translation*)

Mr. BEAULÉ: I would like you to see the employees' point of view and not only that of the union leaders. You would get the employees complaints in that case, and not just the opinions of the union leaders.

(*Text*)

Mr. MACDOUGALL: Our interest, of course, is the employees, but our practice has been for many, many years to deal with the employees and their interests through their authorized representatives who are elected by them to come and bargain on their behalf with us.

We deal with them and we have found that, in the main, it has worked—and very well, I think—for both sides.

Mr. MACKASEY: Earlier, Mr. Chairman, the representatives of Canadian National Railways were discussing or answering some of Mr. Regan's very excellent questions. They were asked about concentration of population. I think you hesitated at that point and Mr. Regan obligingly swung to the story of the Queensway.

Is the new location actually the centre of concentration of population at the present time?

Mr. MACDOUGALL: Well, I think the explanation that I gave earlier to Mr. Barnett was on that point. The studies made in 1960 indicated that of the people coming in on our trains to the centre of the city, approximately 28 per cent were walking to their destinations.

So, presumably, those people were coming to the centre of their area of interest. The bulk of those people were coming to the Department of Public Works. Since 1960 that Department has moved out of this area as has the Post Office, the C.B.C. and the Department of Health and Welfare. Agriculture is also preparing to move.

So looking at that whole picture, we feel that far fewer than 28 per cent of our rail passengers who are still coming into Union station are walking.

Mr. MACKASEY: How much closer will this new station be to the Department of Public Works, for instance?

Mr. MACDOUGALL: Well, others would know that better than I. It is considerably closer.

Mr. MACKASEY: You talk about time and accommodation. Are you talking about time in the sense that it is easier to get to and fro on the new roads?

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Will new roads not improve it?

Mr. MACDOUGALL: It has been checked out by tests that people moving to and from the Queensway may proceed more quickly from given points in the area of the city of Ottawa than they can now by the present routes to the Union station.

Mr. MACKASEY: Are you hoping that people will go to the station in their own automobiles and leave them there while they take the train, and until they come back again?

Mr. MACDOUGALL: This happens in other areas if facilities are there, and it is convenient for people to do so, yes.

Mr. MACKASEY: Does this not also happen in the case of the air lines?

Mr. MACDOUGALL: Yes, this happens in the case of the railways and the air lines as well.

Mr. MACKASEY: Is it not a fact that the railway is more convenient in most instances, because railways usually run into the heart of the city, and that this

has been one of their selling points not only in Ottawa but elsewhere? One of your selling points has been the fact that the railway gets you into the city while the air line does not.

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Then are you not contradicting that theory?

Mr. MACDOUGALL: We do not believe this is so. We think the fact that the centre of gravity that has occurred and is occurring will not put us in that position. We think we will be fairly within the centre of things in the new location.

Mr. MACKASEY: You feel you will still be at the centre?

Mr. MACDOUGALL: Yes.

Mr. MACKASEY: Most members of parliament for some strange reason take a cab from the present Union station up to parliament hill.

Mr. COWAN: I would like to comment on Mr. Macdougall's evidence. I was born in Ottawa and I feel I know something about this city. But you gentlemen keep talking about the centre of gravity, and the centre of Ottawa moving out, just because the C.B.C. and the Post Office have moved to the outskirts.

Does Gen. Clark not give some consideration to the great growth in Hull and in the Gatineau district? I have seen Hull magnified many times in the past number of years. I can remember when the Union station and the Chateau Laurier were opened, when it was said that they were in the centre of population of Ottawa and district.

Let us remember that there is more here than just the city of Ottawa. I have disembarked from a train at Ottawa and gone to Hull to do business with the Woods Manufacturing Company, and with the printing bureau in Hull, or to Gatineau to do business with the International Pulp and Paper Company. Perhaps I should not have done so; perhaps rather I should have got out at Confederation Heights to see the new Post Office Department which is to be considered as the centre of population of the Ottawa district.

Mr. MACDOUGALL: You must know even better than I do the general plan for the city of Ottawa, not only in the building of the Queensway but of other highways as well, to provide a network of roads. We feel that from the point of view of time and ease of access the new station location will not be disadvantageous for the whole area of the city of Ottawa. We think probably, because accommodation will be available there not only for private cars but also for public conveniences and so on, that the highway network to be formed will prove to be pretty reasonable accommodation for the whole area.

Mr. CARON: How much would it cost to go by taxi from the new station to Gamelin boulevard in Hull, which is five miles away from the new station, or the new location?

Mr. MACDOUGALL: I cannot say.

Mr. CARON: I suggest it would be around $5, and this cost would have to be borne by the citizens of Hull, because nobody takes care of the city of Hull—the National Capital Commission, the railways, nor anybody else. They just look at the city of Ottawa and they do not care for the rest of it. That is what I do not like.

Clauses 2, 3 and 4 agreed to.

(*Translation*)

Mr. CARON: The registered capital, does the government pay the registered capital of $30,000,000?

(*Text*)

The CHAIRMAN: Would you mind asking your question of the witness?

Mr. CARON: To whom?

The CHAIRMAN: To the witness.

Mr. CARON: I thought I did.

The CHAIRMAN: I mean Mr. Macdougall.

Mr. CARON: The amount stated there as paid by the government is $30 million.

Mr. MACDOUGALL: No, the $30 million generally represents the capital value of the property that is being transferred to the Ottawa Terminal Railway Company by the Canadian Pacific, or the Canadian National, or the National Capital Commission, on behalf of the Canadian National or the Canadian Pacific. There is no cash being put in by the government. This figure is arrived at by calculating the capital value of the assets which will be placed in the hands of the Ottawa Terminal Railway Company.

Mr. CARON: That would be the amount given by the national railways?

Mr. MACDOUGALL: That is right.

Mr. CARON: Would it not be $30 million?

Mr. MACDOUGALL: I would have to check on it. I do not have the figure at my finger tips. I am afraid I have not got the breakdown of it in detail.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, on a point of order, I think this is important. There must surely be figures. It is the most important item in the bill.

The CHAIRMAN: Yes.

(*Text*)

Of course Gen. Clark should have those figures. I think it is very important. I refer to the breakdown of the $30 million.

Lt. GENERAL S. F. CLARK (*Chairman, National Capital Commission*): We cannot produce that figure.

Mr. PETERS: I move adjournment until they get it.

(*Translation*)

Mr. BEAULÉ: If you do not have any figures we cannot pass the bill, that would be impossible.

(*Text*)

The CHAIRMAN: General Clark.

Mr. CLARK: Mr. Chairman, I have the amount of capitalization set up for this company by the railways themselves, according to the railway figures, not commission figures. The amount at which they capitalize the value, and the estimate of their value is as follows. If you wish it, a member of my staff might give you the values of the land being transferred from the commission to the railways and particularly from the railways to the commission.

Mr. HAHN: On this point of order, it seems to me that the financial aspects of the transaction concerned with the two railways should be given to us so that we might have a rough idea of the values of the properties transferred to each railway company and put into this new corporation, in addition to what each of the railways has acquired and given back to the National Capital Commission, having regard to certain properties. We should have the two sides of the transaction so that we might have some idea of the total proportion of the value that each of the three partners is putting into it.

The CHAIRMAN: I agree. I know that is what the committee wants, and I am sure that these figures will be made available.

Mr. CLARK: Mr. Macdonald of the National Capital Commission staff can give you figures of the transfer from his own point of view or that of the National Capital Commission.

The CHAIRMAN: Very well.

Mr. ROCK: I believe you are paying a lot more of the costs than required by the agreement which is to be found at the back of the bill. It seems to me that the commission is paying the full shot of the transfers and everything. When you give us the figures, I think you should give us the figure the National Capital Commission is going to pay.

The CHAIRMAN: Ask your question of Mr. Macdonald when he is on the stand.

Mr. ROCK: No, I would prefer to ask it of the Chairman of the National Capital Commission.

Mr. HAHN: How can we question figures before we get them?

The CHAIRMAN: Let us wait until Mr. Macdonald gives his figures.

Mr. OLSON: We want to know the total costs of making this transfer, whether it be through the federal government, through the National Capital Commission, through the Canadian National Railways, through any other branch of the federal government, or even through the Canadian Pacific Railway. When we consider the whole transfer, we want to know the costs of all the contributions that will be paid, so that we may know how big the shot is when we have to pay it.

The CHAIRMAN: You will not find out until you start at least with the National Capital Commission and let them give the figures. We can go on from there. Nobody is limiting any questions at the present time.

Mr. OLSON: I want to make it clear that we want to know the aggregate of the contributions.

Mr. ROCK: Thank you for coming to my aid, because I was put out of order by somebody when I thought that I was quite in order.

Mr. PETERS: Are these figures available in the form suggested by Mr. Clark?

Mr. CLARK: Mr. Macdonald will be able to give you the costs of the relocation plan to the National Capital Commission, and also the value of the properties that the commission is receiving from the railways.

So far as I am aware the National Capital Commission is paying all the federal cost involved in the relocating of the railways. There might be one or two exceptions to this, as in the case of a grade crossing ordered by the board of transport commissioners, in which the board itself pays a certain amount of money out of the grade crossing fund to any new grade separated crossing when it is built by either railway. So I think the figures would form a very comprehensive review of the question that was raised.

(Translation)

Mr. BEAULÉ: Mr. Chairman, as we have a representative of the Canadian Pacific here, what is the approximate amount the Canadian Pacific intends to invest in movables or property in connection with—

The CHAIRMAN: Mr. Beaulé, let us proceed first with the National Capital Commission which will give you figures.

Mr. BEAULÉ: Yes, but meanwhile—

The CHAIRMAN: He is here. Mr. Macdonald is here as a witness.

(*Text*)

Mr. D. L. MACDONALD (*National Capital Commission*): Mr. Chairman, this is a fairly complicated number of figures that I have before me to put before you. With the permission of the committee I would like to handle it by first giving the National Capital Commission's total cost of the project, and then the figures indicating the market value of the lands as distinct from the values which were used. And then we have figures of the contributions to the project by the National Capital Commission, the Canadian Pacific Railway, and Canadian National Railways, and what the purpose is. Is that the information you wish?

The CHAIRMAN: Yes.

Mr. MACDONALD: The total cost to the National Capital Commission is $22,425,000 for construction.

The CHAIRMAN: It is for the construction of what? Would you make that clear?

Mr. MACDONALD: It is for the construction of the following items: the Prescott subdivision and grade revisions, $3,900,000; the new railway station with its ancillary buildings, $6,500,000; the Walkley road yards, $4,200,000; merchandise terminals at Hurdman's bridge, $2,000,000; necessary communications with which to operate these railways, and telecommunications, $1,500,000; track connections, $800,000; signal system, $3,000,000 and the various overpasses in the Hurdman's bridge area, $425,000. As well there are payments to the Canadian National Railways for the Union station in the sum of $2,900,000; running rights on the Beechburg subdivision, $950,000; and for land between the Rideau River and Rideau street, comprising approximately 78 acres, including some land leases from the crown, $1,600,000.

Mr. CARON: Is that included in the $30 million?

The CHAIRMAN: That is included in the $22 million.

Mr. MACDONALD: That makes a grand total of $27,875,000.

Mr. CARON: The first figure you gave us was $22,425,000.

Mr. MACDONALD: Yes.

Mr. CARON: And this is another $27 million?

Mr. MACDONALD: I am sorry that I was not clear. The $22,425,000 included the amount for construction which I itemized as being the Prescott subdivision, the railway station, the Walkley yards, merchandise terminals, telecommunications, track connection, signal system, and overpasses at Hurdman's bridge.

These payments to Canadian National Railways made the difference and brought the total up to $27,875,000. The values of the lands being acquired from Canadian National Railways and the Canadian Pacific Railway on the basis of their market value are as follows: Railway rights of way which we have received from the Canadian Pacific Railway and comprising 155 acres total $7,260,000. These lands are located on the right of way from Bell's Corners to LeBreton flats, which is the railway line running along the Ottawa river. Then the Sussez street line from Bank street and including lands opposite the National Research Council, namely 44 acres, and some land from the Rideau River to Mann avenue. This is the approach to the present station, and also from the present station to Brewery creek in Hull; that is across the bridge, and to the station in Hull. These properties total $7,260,000, at a good conservative market value estimate.

Railway rights of way being received as part of this over-all transaction from the Canadian National Railways comprise 217.49 acres; these include 100 acres being the former cross-town track and these have already been constructed and the Queensway, and additional land for the Pretoria bridge of some

27.76 acres from Mann avenue to Rideau street. This is extremely valuable land. For the purpose of making up this total it has been up at $6 a square foot. The adjacent properties in that area are selling as high as $40 a square foot, and the value which we received for these lands from our economic consultant was $15 a square foot. There are 46 acres from the C.N.R. from Mann Avenue to the Rideau river, and east of the Rideau river an additional 24 acres. The land from the C.N.R. is valued at $18,656,000. I might say that I mentioned a payment to the C.N.R. of $1,600,000, and this was used to pay the C.N.R. for part of the land in the immediate station area.

Mr. ROCK: I am not clear on that. You mean you have land valued at $18 million and you are only paying them $1 million for it?

Mr. MACDONALD: C.N.R. is being paid $1,600,000 for land which we value at $18,656,000. I mentioned that the N.C.C. was paying $22,425,000 as its contribution to the construction cost of setting up the new railway scheme, which offsets the property cost discrepancy to which you referred.

Mr. OLSON: What about the value of land that the N.C.C. is providing for new sites for the railway lines and the station?

Mr. MACDONALD: May I just finish with these figures and then I will come back to that question?

There was additional land to the land mentioned which the commission is receiving as part of this transaction. In the LeBreton flats, which is the Ottawa west yards of the C.P.R., there are 60 acres which we value at something around $6 million. In the LeBreton flats 11 acres are being received from the C.N.R. which we value at $1,100,000, and the Boteler triangle at Sussex street yards, which contains 40 acres, is valued at $1,120,000. This makes a total of receipts in market value of land of $34,136,000.

An hon. MEMBER: I do not think these figures would be so complicated if you were clearer. You told us the land was 155 acres. Does that include all the properties you are acquiring in the Ottawa area? You said C.P.R. have 155 acres at $7,260,000.

Mr. MACDONALD: The total from the C.P.R. was the railway rights of way which I specified, plus the LeBreton flats lands, which is 60 acres, and the Boteler street lands of the Sussex street yard, which is 14 acres.

Mr. COWAN: I am glad you said "plus" just now.

Mr. PETERS: Is that added to the cost, that is to the $7 million?

Mr. MACDONALD: Yes.

Mr. PETERS: What is the total of the Canadian Pacific Railway?

Mr. CARON: Is that the total of Canadian National Railway?

Mr. MACDONALD: The total from the Canadian Pacific Railway is $7,260,000 for the railway rights of way, plus $6 million for the LeBreton flats, plus $1,120,000 for the Sussex street yards.

(*Translation*)

Mr. CARON: Mr. Chairman, I suggest these figures should be mimeographed for the next meeting on Thursday morning. The explanations are so involved that it is really impossible to grasp the entire project. If the figures could be mimeographed we would have all the details and could study them before the meetings.

Mr. BEAULÉ: Mr. Chairman, I agree with my friend Mr. Caron that it should be moved and put to the vote.

(*Text*)

The CHAIRMAN: I would like to ask the committee whether it is their wish that these figures be put in mimeographed form to be distributed to the committee before the next meeting on Thursday?

Mr. PETERS: I would also think that the committee should have the assistance of an accountant to tell us what they stand for. This is a very large sum of money which is being transferred, and I believe we have an obligation to make sure that the figures are in order. I would suggest the committee should have the services of an accountant acting on our behalf. I am certainly not in a position to even comment on those figures. I do not think I have even the totals.

The CHAIRMAN: I do not think we have the authority to do that at the present time, but in any event I think we should have the figures before us on Thursday to find out if we need any assistance. Let us leave it at that.

Mr. PETERS: Personally, I am already in trouble.

Mr. CARON: Do we not have the power to hire an accountant?

The CHAIRMAN: No.

Mr. CARON: We have the power to call witnesses. Can we call an accountant as our witness?

Mr. ROCK: I do not think an accountant is going to help. An accountant can only check on those figures.

Mr. CARON: We want to know what they are. We want to understand them.

The CHAIRMAN: Let us wait until we get the figures, and the steering committee can then decide.

Shall we let this gentleman finish with his figures? Those figures are not so bad.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have a question for Mr. Macdonald. This is in order, Mr. Chairman. It is just a question regarding the land he mentioned. The figure—

The CHAIRMAN: He has not finished his report.

Mr. BEAULÉ: No, but with regard to the land belonging to the Canadian National and the Canadian Pacific, I would like to know whether any buildings on that land have been transferred to the National Capital Commission. Do you have the figures for the cost of the station?

(*Text*)

The CHAIRMAN: Mr. Macdonald, you mention land; do these figures include buildings on the lands?

Mr. MACDONALD: Generally speaking the lands which have been referred to are without buildings, except for the Union station and its buildings.

The CHAIRMAN: One moment, Mr. Beaulé. Mr. Macdonald, are you through with your figures?

Mr. MACDONALD: Mr. Chairman, if the committee wishes the figures on the respective contributions to the scheme of the National Capital Commission, the Canadian Pacific Railway and the Canadian National Railway, I have them before me. They are quite complicated.

Mr. COWAN: I would like to know what is the value of the Canadian Pacific Railway lands and Canadian National Railway lands before the National Capital Commission was ever created. We want to see if the Canadian National Railway are getting a fair deal in this. Clause 15 speaks about the two railway companies having half interests in the company. I want to know whether they contribute to the half interest before they get the interest in this company.

Mr. OLSON: What is the value of the land which the National Capital Commission is providing for the new complex?

The CHAIRMAN: That is also what I have been waiting for.

(*Translation*)

Mr. BEAULÉ: Two questions have been asked. Mr. Cowan asked a question and did not get an answer. Mr. Olson also asked a question but did not get an answer, therefore, is he answering Mr. Cowan or Mr. Olson?

The CHAIRMAN: Mr. Cowan got his answer.

Mr. BEAULÉ: Mr. Cowan did not get an answer.

(*Text*)

The CHAIRMAN: Did you get your answer, Mr. Cowan?

Mr. COWAN: Let me say this, Mr. Chairman, I did not expect an answer.

Mr. TARDIF: Then you are not disappointed.

The CHAIRMAN: I suggested to the committee that Mr. Macdonald should be allowed to complete his figures, and then he can be questioned on his statement.

Mr. PETERS: I would appreciate it if we had those figures prepared before our next meeting.

The CHAIRMAN: That has been agreed upon.

Mr. MACDONALD: Would you like me to proceed with this major statement?

The CHAIRMAN: Yes.

Mr. MACDONALD: The value of the assets, in the agreement between the National Capital Commission, the Canadian National Railways and the Canadian Pacific Railway, are as follows: C.N.R. to the Ottawa Terminal Railway, land, $0.9 million; buildings and works, $2.0 million; total, $2.9 million.

C.P.R. to Ottawa Terminal Railway, land, $0.9 million; buildings and works, $1.5 million; total, $2.4 million.

N.C.C. to Ottawa Terminal Railway, land, $1.6 million; buildings and works, $18.2 million; total, $19.8 million.

Assets to be transferred to the Ottawa Terminal Railway by C.P.R., C.N.R. and N.C.C., land, $3.4 million; buildings and works, $21.7 million; total, $25.1 million.

C.N.R. to N.C.C., land, $3.7 million; buildings and works, $8.2 million; total, $11.9 million.

C.P.R to N.C.C., land, $3.4 million; buildings and works, $7.7 million; total, $11.1 million.

N.C.C. to C.N.R., land, $1.9 million; buildings and works, $4.4 million; total, $6.3 million.

N.C.C. to C.P.R., land, $0.3 million; buildings and works, $2.4 million; total, $2.7 million.

Summary: Canadian National Railways receive $18.85 million and give $14.8 million. Canadian Pacific Railways receive $15.25 million and give $13.5 million. National Capital Commission receives $23.0 million and gives $28.8 million.

Mr. CARON: What are the Canadian Pacific Railway figures?

Mr. MACDONALD: Canadian Pacific Railway receives $15.25 million and gives $13.5 million.

The CHAIRMAN: Mr. Macdonald, do you think we could have that statement in the hands of the committee members by tomorrow so that on Thursday we could go into a more intelligent discussion of it?

Mr. MACDONALD: This material will be ready.

The CHAIRMAN: Gentlemen, that being the case I think we should probably stand Clause 3 and Clause 4.

Mr. COWAN: I have a question to ask on Clause 4. Did I understand Mr. Spence and Mr. Macdougall to state that N.C.C. was also going to hold stock in the company? One of them made a reference to that matter.

The CHAIRMAN: We will ask Mr. Macdougall to come up.

Gentlemen, do you wish to stand Clause 4?

Mr. COWAN: I would like to get an answer to that question because I was surprised at those words which I heard. In Clause 15 it is said that the two railways own only half of the stock.

Mr. MACDOUGALL: The two railway companies will own half of the stock.

Mr. COWAN: So the National Capital Commission will not own any?

Mr. MACDOUGALL: That is correct.

The CHAIRMAN: Clause 4 will stand.

Clause 5 is agreed to.

On Clause 6—*General meetings.*

Mr. COWAN: I am not a lawyer like you, Mr. Chairman, but can you tell me why the following words were put in, "General meetings of the shareholders, whether annual or special, may be held at such place within Canada, including the head office of the company, as may be determined by by-law"? It seems to me that the head office of a company has to be in Canada.

Mr. MACDOUGALL: I think it is just the usual form of drafting which specifies that you can hold it anywhere in Canada, including the head office of the company, which is the usual place to hold it; but it could be held in other places. The clause could have said that they will hold it at the location of the head office of the company and, in addition, may hold it in other places in Canada, or they could say "in any place in Canada". This is just a form used in drafting a bill of this kind. I agree with you that perhaps there is a simpler way of doing it.

Mr. COWAN: It is not necessary, but this makes it more complicated.

Mr. PETERS: Does Clause 6 mean that no provision is made for the future possibility when we may decide to move this again?

Mr. CHAIRMAN: Clause 6 has nothing to do with the location.

Clause 6 agreed to.

On Clause 7—*Number of directors.*

Mr. MACEWAN: I would like to ask Mr. Macdougall if he knows whether the directors of this new company will be chosen from the present directors of the Canadian Pacific Railway and Canadian National Railway or whether they will be acting officers employed by the company?

Mr. MACDOUGALL: I do not know that any policy decision has been made, or I am not aware of it, but the bill is drafted to empower the company and to establish its form. As you will see in Clause 7, it is provided that they can either be officers in the employ of the Ottawa Terminal Railway Company, or other persons. It does provide for the officers of the Terminal Company being directors if the shareholders should so decide.

Mr. MACEWAN: Is nothing settled?

Mr. SPENCE: The usual practice is to appoint the operating officers of the companies to the subsidiary company.

Mr. PETERS: Is any provision made for this company to report to parliament?

Mr. MACDOUGALL: Not specifically. The interests of the Canadian National Railway are reported to parliament through the Canadian National Railway.

Mr. PETERS: Will this not exclude the terminal ownership?

Mr. MACDOUGALL: The Canadian National Railway will be half owner of the Ottawa Terminal Railway Company, and it will be open to parliament to inquire through the Canadian National Railway about anything respecting the terminal.

Mr. TARDIF: If you look at one half you see the other half automatically.

Mr. CARON: Not necessarily.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, will section 7 provide for a French-speaking representative on the board?

(*Text*)

The CHAIRMAN: Is clause 7 carried?

(*Translation*)

Mr. BEAULÉ: I did not get an answer to my question. I asked whether there would be a French-speaking Canadian on the board.

(*Text*)

The CHAIRMAN: Can you answer that, Mr. Macdougall?

Mr. MACDOUGALL: No, I cannot answer that, Mr. Beaulé, and for this reason: we are just now compiling the company. We have not got down to the detail of all the organization of the inner workings of the company, including employee questions and management questions. These have not been worked out. I cannot say the name of any man chosen yet, so I cannot tell you whether he is English, French, Ukranian or anything else.

(*Translation*)

Mr. BEAULÉ: When will you know?

(*Text*)

Mr. MACDOUGALL: I would presume when the company is organized we will know once the appointments are made.

(*Translation*)

Mr. BEAULÉ: Will it not be too late to ask questions at that time?

(*Text*)

Mr. MACKASEY: Mr. Chairman, I resent the inference here that we have to protect French Canadians by legislation. I think our society and an organization as close to the government as this well understands that such Canadian talent should be included, and conceivably all the members could be French Canadian. We should not have to protect people in Canada by legislation. I think French Canadians have proved their competence in this type of endeavour and in theory it could be a board of all French Canadian members.

I am from French Canada and I would resent protection by by-law. I think we should be enlightened enough in our society to make it unnecessary to protect any group by legislation.

The CHAIRMAN: Mr. Macdougall is counsel for Canadian National Railways and he cannot make statements on the future policy of Canadian National Railways. However, as you know, Canadian National Railways come up for review every year before this committee and no doubt they will be aware of the statement you have just made, as they have been aware of statements made by this committee from year to year. I think you should be satisfied with the statement that Mr. Macdougall has just given.

(*Translation*)

Mr. CARON: Mr. Chairman, I think Mr. Mackasey is wrong there. In principle I recognize that there may be only French Canadians. As we have seen that is never the case in practice. In practice it has always failed and if we have not taken precautions ahead of time we find that we have been left out. We are looked upon as incompetent in Canada. Look how hard it is for the Canadian Pacific and the Canadian National to recruit a few French Canadians. Look at Quebec Hydro. Since that has been taken over by the province of Quebec, Hydro Quebec have built the largest dam in the world with French-Canadian engineers and this proves that our men are competent. But in their opinion the French Canadians are not competent. That is what Mr. Gordon stated one day, that they were unable to find competent people to fill the vice presidency. A gas station operator was made vice president and chief of personnel. That is something that has never been taken into consideration, and that is why I consider a clause should be inserted immediately to protect French Canadians.

(*Text*)

Mr. FISHER: I would like to ask Mr. Caron how he would suggest this could be done in the statute.

Mr. CARON: Well, it could be done as it is generally done. Generally it is stated that out of the number given one, two or three will be French Canadian. That is the only thing we can do.

Mr. FISHER: Well, make the motion. Make the motion; I will support it.

Mr. REGAN: No, this is surely not so.

(*Translation*)

Mr. CANTIN: Mr. Chairman, I am against putting any such provision in the act. I think there are other ways to go about it and such steps have already been taken. We have seen it for a year or so, particularly on the part of the Canadian National and the Canadian Pacific, there is a movement in the right direction.

Mr. CARON: Only in the past 6 months.

Mr. CANTIN: Then let us hope it will continue in the same direction and the politician is always able to make representations, either to this committee, when the railway representatives submit their balance sheet. I am absolutely opposed to incorporating in the act all kinds of provisions which, after all, merely indicate an inferiority complex, which I myself do not suffer from in the least.

Mr. CARON: We have to keep an inferiority complex. There is nothing else we can do, we have that complex; it has been created for us since Confederation. It is time there was a change and the fact that we are asking for things proves that we no longer have an inferiority complex. We are asking for things because we are entitled to receive things and I suggest, Mr. Chairman, that section 7 should read like this: "that the number of directors should not be less than 6 nor more than 10 but that at least two of those gentlemen should be French Canadians."

The CHAIRMAN: You mean French Canadians who speak French.

Mr. CARON: No, I am speaking of French Canadians.

(*Text*)

Mr. REGAN: Mr. Chairman, I have some difficulty in talking today but—

(*Translation*)

The CHAIRMAN: One moment please. Did you move it Mr. Caron?

Mr. CARON: I will put it in writing if you like.

The CHAIRMAN: Will you kindly have it seconded.

Mr. CARON: I will put it in writing and I shall get someone to sign it.

Mr. BEAULÉ: I second the motion.

(Text)

Mr. CARON: Go ahead, Mr. Regan, while I am writing.

The CHAIRMAN: We will wait; this will be a good time to reflect a little!

(Translation)

The CHAIRMAN: Mr. Caron, seconded by Mr. Beaulé, moves that section 7 should be amended to include at least two French-Canadians. However, Mr. Caron, you have not amended the question in the legal manner.

(Text)

Mr. CARON: I would like to add the words "of those there will be two French Canadians." There is no need to rewrite the whole sentence.

The CHAIRMAN: I wish you would make your amendment read in the proper fashion.

Mr. CARON: My amendment is: "After the word 'ten' two shall be French Canadian".

(Translation)

Mr. BEAULÉ: We know what you mean.

Mr. CARON: You can put it wherever you like so long as at least two are French-Canadians.

The CHAIRMAN: I cannot draft your amendment for you. After the word ten which—

Mr. CARON: After the word ten.

The CHAIRMAN: Two French-Canadians.

Mr. CARON: At least two French-Canadians. I am speaking of their language.

(Text)

The CHAIRMAN: Gentlemen, I want you to appreciate that the amendment just says that the section should be amended to include at least two French Canadians. I do not want to draft the amendment but—

(Translation)

Mr. BEAULÉ: Mr. Chairman, when one looks at the section, one or several of them can be employees of the company and two of them should be French-speaking.

The CHAIRMAN: I will add it at the end, that two of them should be French-speaking.

Mr. CARON: It is most unfortunate.

Mr. BEAULÉ: Should without fail be French-speaking.

The CHAIRMAN: Mr. Caron moves, seconded by—

(Text)

Mr. TARDIF: From that, Mr. Chairman, it could be someone of French extraction who comes from France.

(Translation)

Mr. BEAULÉ: French-speaking Canadian, let us add the word Canadians.

Mr. CARON: French-speaking Canadians.

(*Text*)

Mr. ROCK: That means two being French-speaking Canadians.

Mr. CARON: It means Canadians of French expression.

(*Translation*)

The CHAIRMAN: Mr. Caron seconded by Mr. Beaulé moves that section 7 be amended by adding: and that two of them should be French-speaking Canadians.

Mr. CARON: That is correct: a French-speaking Canadian.

(*Text*)

The CHAIRMAN: The amendment will read, in my humble translation: "Section 7—after the word 'company', add the words 'two of which shall be French-speaking Canadians,' "

Mr. CARON: "Of French expression".

Mr. ROCK: No, when you use the term in French "of French expression" you usually say "Canadien français".

Mr. HAHN: Are we free to speak now on this motion?

The CHAIRMAN: Yes.

Mr. HAHN: I think this motion is very bad on two counts. First of all, we should not try to legislate this sort of matter. I think as has been mentioned earlier that for us to try to protect—if you want to use that word—a minority in the country by legislation of this type is wrong. Secondly, I think the legislation is impractical. How do you define in a court of law whether someone is French speaking? How many words do you have to speak to be classified as French speaking?

I think the legislation is meaningless if we try to put in these words. I think public pressure, sentiment and so on is the means of ensuring fair treatment for both races in the country. I think this is happening now. I do not know of any other legislation where we have legislated this sort of thing, and I think it would be a bad precedent. I am opposed to it.

(*Translation*)

Mr. CANTIN: This amendment is not acceptable, Mr. Chairman, first of all because it seems to be entirely contrary to the human rights declaration as it is defined here in Parliament, and also because it constitutes discrimination instead of ensuring participation. So I submit that it is entirely contrary to the rules and should not be accepted.

(*Text*)

Mr. ROCK: Mr. Chairman, I think Mr. Caron is right and so is Mr. Beaulé. I feel that although there has always been a trend forward saying that French-speaking Canadians should get higher positions, somehow they have not obtained those positions in the past; and there has always been the inference that it has not been possible to find competent men to take these positions. I do not believe this to be a fact. I believe that throughout Canada there must be many French-speaking Canadians who should obtain higher positions within Canada, and it seems that in the past they have not done so.

I am completely for this protection.

Mind you, if someone says we are out of order because this is a certain type of company being formed, let us consider the fact that first of all Canadian National Railways belong to the people of Canada or are supposed to belong to the people of Canada, and in this regard we do legislate anything that Canadian National Railways are supposed to do in the future. For instance, we are the legislators of anything that railway companies do, and in respect

to Canadian National Railways, being a national company and belonging to Canada, I think we have the full right to amend this article. I am completely in favour of it.

Mr. MACKASEY: Mr. Chairman, I am sincerely hopeful that when the board of directors is set up under clause 7 as it presently exists there would be two or more French-speaking Canadians on that board. However, I would like to think that it is done as a result of enlightenment and that it is as a result of education within the railways.

I was just hoping that French-speaking Canadians would be named to this directorate strictly on the facts, and the facts are of course that no race, either English or any other, has a preponderance or monopoly of any virtues in this country, including education itself.

This particular organization is set up basically by two companies, Canadian National Railways and the Canadian Pacific Railway, and certainly Canadian National Railways have been the target of an awful lot of justified criticism in the last few years on the question of nationality. However, Mr. Gordon has shown a degree of enlightenment, perhaps as a result of the pressure of parliament and public opinion, which is encouraging and which I think is prevalent and spreading through industry in this country.

To deny the two companies the opportunity of showing that they do not prefer either of the two founding nations is unfair. If we try to eliminate what we think is an unfair situation by legislation, we are denying Mr. Gordon and Mr. Crump—or the new president of Canadian Pacific Railway—the right to take the position voluntarily; we are denying them the opportunity of saying in effect, "We have made mistakes in the past, but we are doing what we can now to rectify them." If we were to enact this legislation we would be saying then that they are doing it only because of legislation. What about all the companies for whom we cannot legislate? This is what concerns me greatly.

I will be the happiest man in Quebec if when this is set up we could say, "This is the start of a new era in this country, an era in which all are treated equally not because of legislation but because of education." That is why I am against this.

Mr. REGAN: I hope the mover and seconder of this motion realize that it would be a far reaching and dangerous precedent. I think they have not thought it out to its conclusion. It is a move that started out with sentiment and genuine concern for what has been done in the past, but surely directors of companies should be selected on the basis of their skill and ability and the contribution they can make. These should be the qualifications, not the accident of birth.

I am wholly in accord with what Mr. Mackasey has just said, but if we are to legislate that every company that is incorporated by parliament is to have people as directors who have one racial strain in their background, then surely we give rise to consideration by other groups that they should be represented. I can conceive that a time might come when this particular railway—as has been mentioned by someone—might have all French-Canadians as directors, but surely the directors should be chosen from among the officers of the company. Another time might it not be the case that by accident more than one would have French-Canadian background?

This is racist legislation, and very, very bad legislation; and I certainly oppose it.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I wanted to ask that question because I think it is very important. So I will put a direct and pertinent question to Mr. Macdougall. As a new company will be set up in Ottawa I am sure you already have the names of the people suggested to manage that company. Have the

Canadian National or the Canadian Pacific thought that there should be a French-speaking Canadian on the board? Among the names of the people suggested to manage the company, I know there are people who have been suggested to manage the company. In that case we could withdraw the motion.

(*Text*)

Mr. MACDOUGALL: I would just say to that, Mr. Beaulé, that the organization of this company has not even begun. We have not the charter for the company to start with. Once this charter is passed, there is a great deal of work that has to be done. It may well be that many men may be proposed as directors of the company, I do not know. Incidentally, I have nothing to do with the appointment of directors, and I do not even know how it is done. It could quite possibly be that lots of names would be suggested from various sources, or there could be no names suggested. We have not reached the stage where any director has been chosen. It is open to anybody to make any suggestions they want to make. From where I sit in the C.N.R. it seems to me we do get many suggestions, and many of them are quite good. I believe they are acted upon.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I think it is a drastic way to compel a company to put some man on the board. If the committee agrees and recommends that there should be French-speaking Canadians on the board I am prepared to withdraw my name as seconder of the motion. If the committee is prepared to recommend that there should be French-speaking Canadians on the board and the matter is given careful consideration.

(*Text*)

Mr. FISHER: I just want to ask Mr. Macdougall one question. Would it be right to assume that half the directors would be suggested by the Canadian National Railways and half by the Canadian Pacific Railway?

Mr. MACDOUGALL: I would think that probably would be what would happen.

Mr. FISHER: I just want to make the point that there may be some efficacy in the proposal in that it seems to me this would be the first time that we would have an opportunity to hear a response from Canadian Pacific.

My second point—and I am not making this facetiously or in humour—is that both these railways are carrying out large scale training of their senior executives in the French language, according to their public relations. From this point of view I do not foresee there would be any great difficulties. It seems to me the requirement would be an incentive, and therefore I will support the motion.

The CHAIRMAN: Gentlemen, there has been a suggestion from Mr. Beaulé. Perhaps you did not grasp it. He suggested that he would be content to withdraw as seconder to Mr. Caron's motion if the committee were willing to express to the railways their desire and their wish to appoint at least two French-speaking directors. This would give an opportunity to the committee at a later date in the spring to find out to what extent the railways have responded to this wish.

Mr. FISHER: At that meeting later in the spring we will only be able to question Mr. Gordon. We will not be able to question Mr. Emerson.

(*Translation*)

Mr. CARON: That is precisely what Mr. Beaulé suggested. Mr. Beaulé suggested that if they would tell us they intended to do so he was prepared to withdraw his motion, but they did not say they intended to do so, they said they did not know. In that case I do not see—

Mr. BEAULÉ: If they intend to do so—they cannot say so.

Mr. CARON: That's just it, they do not want to tell us. An honourable member said a while ago: "How can we establish that a man is French-speaking from the number of words?" I speak English, I can express myself in English but I cannot say that I am English-speaking because I do not speak the language sufficiently well. I make a lot of mistakes when I speak English. Then the matter of human rights was mentioned. I do not know what human rights have to do here. There are human rights to avoid mentioning it and there are also human rights so that one can mention it. The bill of rights entitles us to mention it if we wish to do so. We have been tricked so often in the past. I do not intend to say that we shall be tricked this year, in any case, as Mr. Fisher said, we shall know in the spring what they have done but it will be too late to correct things and I do not intend to correct things in the spring. Apart from that, someone mentioned "skill and ability", and that is precisely what I said a moment ago. There are French-Canadians with management ability. Usually in English companies they are obliged—we have had a proof of it since the Quebec government bought Quebec Hydro—we have built the largest dam in the world with French-Canadian engineers who previously had never been consulted by the English companies. We know all that. I think we should maintain this matter of at least two French-Canadians on the board.

(*Text*)

Mr. PETERS: It seems to me from the discussions we have had that we are really in effect amalgamating the Hull services as well as the central station services in this new terminal. For this reason I am prepared to support the motion. Really we are eliminating the Hull section of our normal transportation services. I therefore think this is a good and legitimate reason in this case for appointing French-speaking representatives who represent the Hull area which is being discontinued under the present service.

Mr. BARNETT: Mr. Chairman, may I just say a word on the suggestions you have made?

As I understand this, I would be willing to support the expression of opinion by this committee that it would be desirable to have adequate French-speaking representation on the board of directors, but if we put this kind of an amendment in the bill what in effect is likely to be the practice is that there will only be two French-speaking directors. The practical effect of putting such an amendment in the legislation is apt to perpetuate a form of discrimination. I think all of us agree it should be eliminated. Therefore, I feel the motion as proposed by Mr. Caron is an unwise one and defeats the objective which he has in mind and with which I agree.

Mr. CARON: I said "at least two", but if we only have two we would be satisfied because we never had it before.

Mr. MACEWEN: I do not wish to be lengthy. I wish to speak on what Mr. Hahn has said with regard to amending the legislation. I agree with Mr. Barnett, and I would be willing to go along with an expression from this committee that full consideration be given to French-speaking Canadians being appointed to the board of directors.

Mr. STENSON: I am in agreement with the last speaker and with the several speakers who have spoken. Being English-speaking myself I would suggest that maybe we could put a subamendment that two thirds of these people be English-speaking.

Mr. TARDIF: If you do that, it would have the same effect as doing nothing.

Mr. REGAN: What about the Irish?

Mr. MACKASEY: I did not want to speak for the second time, but I have to say this: I think we are all agreed, Mr. Fisher, Mr. Caron and myself and anybody who has spoken, that there should be and there must be representation from French Canada on the board of directors of the new company. However, I think we are approaching it from different aspects. I would hope the motivation for appointing these French Canadians on the board of directors would be one of intelligence on the part of those who are naming them, and a recognition of the dual cultures of this country. We are being called upon to vote on a "when do you beat your wife and when do you stop beating your wife" question. If we vote against the amendment, it can quite easily be interpreted as a vote against French Canadian participation on the board of directors, which is not the intention of those who would vote against it.

I will emphasize once again, in the hope that I am not misunderstood, that I desire and I think it is absolutely necessary that there be French participation on this board of directors, but the motivation for the appointment should be intelligence and enlightenment on the part of those who are picking them and not prejudgment on our part that they do not intend to do so, and therefore that we must do so by legislation which we propose in the amendment.

(*Translation*)

Mr. CANTIN: You did not understand what I said. I meant that I am definitely in favour of French Canadian participation on the board of the company, but I object to the method suggested here and I share the opinion of those who believe we should recommend it and stop at that. After that we should watch the matter.

The CHAIRMAN: Mr. Beaulé.

Mr. BEAULÉ: Mr. Chairman, there are several representatives of the two railway companies here today. I think that following today's meeting they should make the recommendation to the two companies concerned, and when we discuss the other sections of the bill later on they could come back here and let us know what the companies intend to do, whether the directors of the company intend to appoint French-speaking Canadians to the board in which case it will not be necessary to amend section 7.

(*Text*)

Mr. ROCK: May I add something? May I suggest that we stand Clause 7 for the time being and let us see what the representatives of the Canadian National Railways and Canadian Pacific Railways do when they enlighten us on the matter in this respect at the next meeting?

The CHAIRMAN: Does the committee wish to stand Clause 7?

Mr. HAHN: No.

Mr. REGAN: Please put the question.

Mr. ROCK: In that case you do not wish to find out whether they have the intention to do so or not?

Mr. HAHN: We are dealing with a matter of principle, and the principle is whether or not we should legislate what we all feel to be desirable. I do not think we should legislate it. I do not think it will make any difference if the

railways tell me on Thursday that they are going to have five or no French-speaking directors. I would still be opposed to this and would be in favour of trying to get the right representations through other means than legislation. I do not think we gain anything by standing the clause.

Mr. REGAN: If I might add to this, I like Mr. Hahn, am against this type of legislation. If the legislation is wrong, then the idea of putting it off until Thursday to use the legislation as a threat, is also wrong. I therefore think that the question should be put to a vote at this time.

(*Translation*)

Mr. BEAULÉ: Would you read the amendment again please?

The CHAIRMAN: Mr. Caron, seconded by Mr. Beaulé, moves that section 7 be amended by adding the words, at the end of the section: "and that two of them—

Mr. CARON: That at least two.

Mr. BEAULÉ: That at least two.

The CHAIRMAN: —that at least two of them should be French-speaking Canadians.

Mr. CARON: That is correct.

(*Text*)

The CHAIRMAN: In my humble translation the amendment to Clause 7 is as follows, that Clause 7 be amended by adding a comma after the word "company", followed by the words "and that at least two of the said directors shall be French-speaking Canadians".

Is the committee ready for the question? All those in favour of the amendment please raise their hands. Those against?

Mr. MACKASEY: I would like to ask you to take note that I abstained for very selfish reasons.

The CHAIRMAN: The amendment is carried eight to seven.

Shall Clause 7 as amended carry?

Clause 7 as amended agreed to.

On Clause 8—*Executive committee of directors.*

Mr. BARNETT: I would like to ask the following question out of curiosity: I would like to know how the president of the company is going to be chosen, since the president of the company is ex officio a member of the executive committee. It has already been suggested that probably both railway companies would name a number of directors. I do not see any formula for naming the president of the company.

Mr. MACDOUGALL: This is the normal thing. This type of situation is met in other circumstances. It is usual to alternate the president between the two companies, if the two companies own the subsidiary and equal shares, on some agreed upon basis, either yearly or something of this kind.

Mr. SPENCE: The same situation arises in the Toronto Terminal Railway Company.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I know that in Quebec, at the Shawinigan terminal, the president is appointed for two years by the Canadian Pacific and vice versa two other years by the Canadian National. Is that the way they intend to proceed?

(*Text*)

Mr. MACDOUGALL: That is the general line.

The CHAIRMAN: Clause 8 is agreed to.

On Clause 9—*Undertaking.*

Mr. PETERS: May I ask Mr. Macdougall the following question? Are we now acquainted with all the plans and the potential of this company?

Mr. MACDOUGALL: I think so. I am not sure I understand the portent of your question, but I think it has been explained what the company generally intends to do.

Mr. PETERS: I think the matter of providing transportation is of great interest. I understand there are two or three other terminal companies that are not unlike this one. There is a terminal company in Toronto, I believe; and I think there is at least one other joint participation terminal company. Could you explain what type of transportation is provided for express, for freight and other auxiliary transportation agencies that may be concerned?

Mr. MACDOUGALL: I think in Toronto, which is one of those spoken of earlier—and I think it would be comparable here in Ottawa—each of the two major railway companies intends to continue to do business in the city of Ottawa, to solicit passengers and freight.

Mr. PETERS: Why?

Mr. MACDOUGALL: Because that is the business in which they engage, to carry passengers and freight to all points in Canada.

Mr. PETERS: I am thinking of something else. In the last year the Ontario Northland Railways have gone into a joint merchandising program with Canadian National and Canadian Pacific on their distribution points. The Canadian National and the Canadian Pacific gave up their express contracts and they set up a merchandising agency operated by the Ontario Northland Railway. I was under the impression that this may have been through the merchandising system under this transportation company. Incidentally this was done at the request of the Canadian National Railways. It was their thinking on the matter. This is why I was surprised when you said you intended to carry on these activities.

Mr. MACDOUGALL: Changes are taking place all the time, either within the company or with other transportation agencies. The intention in Ottawa is that each railway company will solicit its own traffic to and from the city of Ottawa, and the carload traffic will be delivered here. The terminal company will do the actual handling and placing of the cars, and the handling to and from the warehouses. From the point of view of service to the public, each of the railway companies will be serving its own customers, some of whom will be joint between the two of them because they will be served through the company to either railroad. The two railway companies are in competition for the traffic. It may be a haul from Ottawa to Vancouver, and naturally they will each service their own interests here. However, the service is being provided within the terminal, the maintenance of the trackage and the maintenance of all the joint terminal facilities, as well as the switching and so on which will be done by the terminal companies. The co-ordination that has to be done between the two of them working, as they will be, close together, will be done through the terminal company. However, since both railway companies are national in scope and the terminal company is local, they will each have their own direct connection with the public, both passenger and freight, to solicit and handle traffic on their own railroad, on the long haul transportation in which they engage.

Mr. PETERS: Well, in the case of the Ontario Northland Railway the suggestion was made—and I think it was made by the Canadian National Railways—in respect of express particularly, that this is something similar to two milk companies delivering on the same street, where an arrangement could be made—which would be much more advantageous—for one delivery only.

I would think this should refer to the trains, particularly when they are coming in at the same time. But, there is a difference to this extent: the O.N.R. was the only one operating trackage and the express was shipped via Canadian National Railways and via Canadian Pacific Railway, although they as well as the O.N.R. have a distribution system.

It would seem to me that if the Ottawa terminal is to provide better service at less cost there would be no gain in the express or freight deliveries from that terminal being made by the individual company. I have no argument and there is no suggestion of an argument in respect of the business arrangement and solicitation by traffic agents of transshipment, but it would seem to me that the distribution logically would fall under the terminal and that the terminal easily could provide the distribution, which would account for considerable savings. I think the Canadian National Railways officials have been wrong in their argument as it relates to the O.N.R.

Mr. MACDOUGALL: I do not think there is any hard and fast rule for or against that type of arrangement. Each one of these local terminals in these areas is located at individual points, and I think you probably will find there is a variety of different ideas employed at different places, dependant upon the local circumstances. This terminal company has the power to do what you are speaking of, to handle pickup and delivery services in and about the city of Ottawa, and both the national railway companies have this power and do perform the service today. Whether in two years or five years from now they will turn all of this over to the Ottawa Terminal Company, I am unable to say. That point has not been raised to date. But at the present time, as far as I know, each company will continue to look after its own interest here and will use the services of the Ottawa Terminal Railway Company to do the joint things which are necessary to be done. The purpose of this bill is to empower the Ottawa railway company, when they want to do something jointly, to do it.

Mr. HAHN: I have a question with regard to the effect of all this on industry.

As I read the agreement between the three parties on pages 14 and 15 it is my understanding that industry is going to lose its rail sidings as well as trackage that is to be removed and they will not be compensated in any way other than by being offered land in one of the new industrial subdivisions at a reasonable rate, as well as being given free siding in these new locations. Is that correct?

Mr. MACDOUGALL: I think generally that is correct, but I am not sure that in the detail it is entirely correct. But, as I say, that is the general premise. Those who are served by railways who cannot be continued to be served because of changes being made and because of configuration of the lines will be offered facilities in a new area. And I think the National Capital Commission's policy has been that they will bring them into these new areas and make them whole in these new areas, so they will receive rail services.

Mr. HAHN: Am I to understand that the move to the new area would be at the expense of the company? If this is true, it would seem to me it is working a very great hardship on an industry which is dependant on a rail siding. If you suddenly took the sidings away companies would be forced to come up with the necessary capital to relocate.

Mr. MACDOUGALL: The relocation is made at the expense of the National Capital Commission.

Mr. HAHN: If that is the case, that has cleared up the uncertainty for me. Could I have that cleared up definitely?

Mr. D. L. MACDONALD (*National Capital Commission*): Mr. Chairman, the proposal for handling the industries which lose rail service as a result of this railway relocation program has been to pay compensation to the companies related to the plant which they operate. In addition, they are offered sites in new industrial areas set up by the National Capital Commission at market value for the land less 20 per cent. And the National Capital Commission also pays for a siding of equal investment to that which they enjoyed in the location from which they were moved.

Mr. HAHN: That answers my question. Compensation is being paid to industry. From the information I read in this connection I thought it was not being paid.

Mr. REGAN: Mr. Chairman, I have a supplementary question.

Have you had any representations from those industries which will be affected by this provision to the effect that they feel it is an unsatisfactory arrangement?

Mr. MACDONALD: The amount of compensation is still under negotiation with quite a number of companies which will be affected in the future, and a lot of these railway relocation schemes have not yet been implemented.

Mr. COWAN: Is it not true that a certain number of companies already have started court action against the National Capital Commission or the railways because of this very thing? I read a list of those in one of the Ottawa papers a week ago.

Mr. MACDONALD: Mr. Chairman, the procedure which has been set up to determine the amount of compensation, should there be a dispute in respect of the amount, has been for the case to be heard by the Exchequer Court, and at the present time certain companies are contemplating taking action in the court to determine the amount of compensation.

The CHAIRMAN: Are there any further questions on clause 9?

Mr. PETERS: Is the compensation figured in the over-all cost you gave us this morning?

Mr. MACDONALD: No, Mr. Chairman.

Mr. PETERS: Well then, can you tell me the approximate amount this would add up to?

Mr. MACDONALD: May I make an estimation for Thursday in that connection?

The CHAIRMAN: Are there any further questions on this clause?

Mr. FISHER: Mr. Chairman, I have a question in respect of that part of the memorandum which deals with this new merchandising terminal area, and it gives you some details on its construction.

Mr. MACDOUGALL: Clause 9 (a) at page 9 refers to the construction of a new merchandising terminal at Hurdman.

Mr. FISHER: I am intrigued with the difference in trackage required by the Canadian National Railways and Canadian Pacific Railway, on page 15 you will note that 25 cars is set out in respect of the Canadian Pacific Railway and 56 cars in connection with the Canadian National Railways.

Mr. MACDOUGALL: As I understand it, the reference to the trackage on page 15 is the result of the negotiation between the parties as to what is required

in the way of team track and related facilities at various locations, and they were spelled out here so, between them, they knew what was agreed upon and what was to be constructed.

Mr. FISHER: This would give a rough idea of the estimated volume of business.

Mr. MACDOUGALL: It also gives an indication of what each company considers they require in the way of facilities.

Mr. FISHER: In respect of this merchandising terminal is there to be a common floor with a common truck pick-up location? I am thinking of this in terms of an improved pattern of relationship with trucking.

Mr. MACDOUGALL: Generally speaking, Mr. Fisher, while the terminal will be all in one area it is anticipated there will be separate Canadian National Railways and Canadian Pacific Railway facilities together in this one location which would facilitate the inter-movement of traffic between them and trucks coming into the terminal, but I do not understand it to be one big floor which both companies will work from.

Mr. FISHER: I do not know whether this is the time to put this question, but what rights would independent truckers have in terms of shipments which come into that terminal which are for delivery right at the terminal?

The CHAIRMAN: Mr. Fisher, I was hoping we would wait until clause 10 to deal with that particular kind of question.

Mr. FISHER: Well, Mr. Chairman, I would be glad to pass. It was just that this came within the memorandum on construction.

The CHAIRMAN: Perhaps we could refer to the memorandum also when we are discussing clause 10.

(Translation)

Mr. CARON: I would like these gentlemen to tell me what is meant in the bill by: "in and about the city of Ottawa"? What does that mean "in and about the city of Ottawa"? What does that involve?

(Text)

Mr. MACDOUGALL: In my view, it has the same meaning in ordinary English.

Mr. CARON: But what is the ordinary meaning?

Mr. MACDOUGALL: Whatever is required by a person shipping some goods by railway which have been delivered in the Ottawa area through the Ottawa station.

Mr. CARON: Then it could extend up to Maniwaki, because they do have goods to send there.

Mr. MACDOUGALL: I think, generally speaking, we deliver goods and pick up goods at all our open stations across the country, and we have pick-up and delivery services at the various areas to which we deliver and pick up goods. The purpose of this is to provide pick-up and delivery in the area of the city of Ottawa.

Mr. CARON: But does it mean the entire city of Ottawa?

Mr. MACDOUGALL: Yes.

Mr. CARON: And it does not go beyond the city of Ottawa?

Mr. MACDOUGALL: No, but it would include the area in and about the city of Ottawa. It might include more than just the city of Ottawa proper.

Mr. CARON: Well, I would like to have that cleared up. Is it in or about the city of Ottawa—

(*Translation*)

I want to know but they will not tell me.

(*Text*)

What are the ins and outs of the city of Ottawa?

Mr. SPENCE: In an attempt to answer your question may I say that we have pick-up and delivery areas in and around every city and every large town. We are not necessarily limited by the city limits. They may extend. There may be built up areas farther outside the city limits which require service, and if these areas are sufficiently populated the service is given. But we do not want to be limited to the actual limits of the city itself. On the other hand, we are not going on to the next city or any unreasonable distance out.

Mr. MACALUSO: In other words, you will process these goods in and around the Ottawa area, but once you get out too far these goods are then processed from another station?

Mr. SPENCE: That is correct.

Mr. CARON: You process the Ottawa area?

Mr. SPENCE: Yes.

Mr. CARON: Would that include Gatineau Point?

Mr. SPENCE: I do not know how far that is. I have Mr. Pogue here. Mr. Pogue is familiar with that whole situation and perhaps he could answer better than I with regard to how far these operations might go. I would think it would be just about what we do now, of course allowing for expansion of the city.

Mr. CARON: I want to know what you are doing now and what you intend to do in the future?

Mr. SPENCE: May I ask Mr. Pogue if we, in fact, do serve Gatineau Point?

Mr. G. D. POGUE (*Special Assistant, Canadian Pacific Railway*): No, we do not.

Mr. CARON: Do you serve Gatineau?

Mr. POGUE: No.

Mr. CARON: Do you serve Aylmer?

Mr. POGUE: No.

Mr. CARON: Do you serve the city of Hull?

Mr. POGUE: Yes.

Mr. CARON: But there is part of the city of Hull you do not serve at the present time?

Mr. POGUE: We serve the city of Hull.

Mr. CARON: But you do not serve the whole of the city of Hull. You do not deliver past St. Raymond boulevard.

Mr. POGUE: As I understand it now we deliver freight from our Ottawa freight shed to the city of Hull.

Mr. CARON: Up to what point? I know at a certain time when I was living on Mountain road you were servicing agricultural requirements there but you would not go a block farther to bring the goods to our place. There is now a new part of the city of Hull, which is on the other side of St. Raymond boulevard and which is almost as big as the rest of the city itself; and you do not service it.

Mr. POGUE: It could be that a contract covering delivery of freight would confine that delivery. However, I would have to make inquiries of our company in order to ascertain the definite boundaries for you.

Mr. CARON: Would you obtain that information for Thursday, please.

Mr. POGUE: Yes.

Clause 9 agreed to.

The CHAIRMAN: I am going to suggest that we adjourn at this time.

We will meet again at 9.30 on Thursday morning.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

THURSDAY, DECEMBER 3, 1964

Respecting

Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

WITNESSES:

From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman, Mr. Eric Thrift, General Manager, Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C.. *From the Department of Transport:* Mr. Jacques Fortier, Q.C., Legal Counsel.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21240—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs,

Armstrong
Balcer
Barnett
Basford
Beaulé
Béchard
Boulanger
Cadieu (*Meadow Lake*)
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Caron
Cooper
Cowan
Crossman
Crouse
Ethier
Fisher
Francis
Godin
Granger
Greene
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Irvine
Kennedy
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Macdonald
MacEwan
Mackasey
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Peters
Pugh
Rapp
Regan
Rhéaume
Rock
Ryan
Southam
Stenson
Tardif
Tucker—60.

(Quorum 12)

D. E. Levesque,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, December 3, 1964.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.40 a.m. The Chairman, Mr. J. T. Richard, presided.

Members present: Messrs. Barnett, Beaulé, Béchard, Cantin, Caron, Cowan, Crossman, Fisher, Guay, Hahn, Howe (*Wellington-Huron*), Irvine, Leblanc, Lessard (*Saint-Henri*), MacEwan, Marcoux, Matte, McBain, Millar, Olson, Pascoe, Peters, Regan, Richard, Rock, Ryan, Stenson, Tardif, Tucker (29).

Witnesses: From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman, Mr. D. L. Macdonald, Railway Commissioner, and Mr. Eric Thrift, General Manager. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C.. *From the Department of Transport:* Mr. Jacques Fortier, Legal Counsel.

The Committee resumed consideration of Bill S-33, An Act to incorporate the Ottawa Terminal Railway Company.

On Clause 10

Information, requested at the previous meeting, was tabled by the officials of the National Capital Commission.

The Committee discussed the matter of proceeding with the detailed consideration of Clause 10. The matter was put to a vote as follows: Yeas, 9; Nays, 9. The Chairman then cast the deciding vote in favour of proceeding with Clause 10.

Paragraph (*a*) of Clause 10 was allowed to stand.

Paragraphs (*b*), (*c*) and (*d*) were adopted.

On paragraph (*e*),

Mr. Cantin moved, seconded by Mr. Matte,

That, after the words "grant leases" in line 25, page 3 of the bill, the "comma" and the word "licences" be deleted.

The amendment was adopted and paragraph (*e*) as amended was adopted.

Paragraph (*f*) was adopted.

Mr. Cantin moved, seconded by Mr. Cowan,

That paragraph (*g*) be struck out and the following be substituted therefor:

(*g*) establish and operate for hire in and about the City of Ottawa a service for the conveyance and transfer of goods by means of trucks or other highway vehicles, or other means of conveyance, and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.

21240—1½

After discussion, Mr. Ryan gave notice of an amendment to the amendment. The Chairman requested that copies of the sub-amendment should be made available to the Clerk of the Committee and to the Members before the next sitting of the Committee.

At 12.10 p.m. the Committee adjourned to 9.30 a.m. Tuesday, December 8, 1964.

E. W. Innes,
Acting Clerk of the Committee.

Note—The evidence, adduced and printed in this Issue, was recorded by an electronic recording apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

THURSDAY, December 3, 1964.

The CHAIRMAN: Gentlemen, I see a quorum. Last week we had reached section 10. Mr. Barnett.

Mr. BARNETT: Mr. Chairman I was wondering whether it might be agreeable under section 10 that we consider each subclause separately.

The CHAIRMAN: Yes, that is right. Is this the wish of the committee? Section 10, subsection (*a*).

Mr. ROCK: Mr. Chairman, since we have not got the figures for all these transactions that the National Capital Commission was supposed to have given us by today, I think that this clause should completely stand because this indirectly has a lot to do with the cost that the National Capital Commission will be paying towards all these things. So I think this question should completely stand until we have these figures and discuss them and question the National Capital Commission on them. You will notice, down here, you have "construction", "acquired land" which has lots to do with this cost. Therefore, before we go through this, we do not know at this moment the cost of the transfer of properties from one company to another and the properties that the commission is purchasing and handing over to this newly-formed company. So I believe that this clause should completely stand until we have these figures.

The CHAIRMAN: Mr. Rock, I have just been handed the figures which the committee requested on Tuesday. These figures are too complicated and too long for the committee to discuss the matters contained in this memorandum this morning and I was going to defer any discussion on this memorandum on expenditures until the next sitting. On section 4, which has to do with capitalization, you will be able to inquire as much as you like into the cost of land, etc. But section 10 has nothing to do with the actual cost of the transaction involved. These are the general powers which will be given the company. Specific powers you can inquire into under section 4, as I understood we would do, which relates to the capitalization and where we will have all the discussions we want on the transactions involved in the $30 million.

Mr. CARON: On provision of land—

The CHAIRMAN: One moment, please.

Mr. ROCK: I think I still have the floor.

The CHAIRMAN: Yes.

Mr. ROCK: This is giving them the power to make these transactions and to

> Receive, take and hold all voluntary grants and donations of land or other property or any bonus of money or debentures.

This is exactly the power that you were to give them for this transaction.

The CHAIRMAN: Not only for this transaction but for any other transaction which certainly will be approved.

Mr. ROCK: Definitely in the future, but also this is giving them the power at this moment to carry out the transaction that is attached to the back of this bill and also giving them the power to incur the cost with the National Capital Commission.

The CHAIRMAN: I do not agree with you Mr. Rock; these are general powers of the company, these are not the actions of the company.

Mr. ROCK: But without these powers here, they would not be able to make this transaction.

The CHAIRMAN: Without these powers they could not do anything.

Mr. ROCK: Therefore, they should stand until we see these figures.

The CHAIRMAN: I am just trying to reason with you that we can discuss the general powers of the company without approving any agreements which they have reached at the present time. That is so. Because there are other powers in here, such as entering into contracts with telegraph and telephone companies, and so forth, which are not included in the figures which you are mentioning.

Mr. CARON: You have such things as building of hotels, disposal of the land they do not need, acquiring of property. They have to provide for terminal facilities; everything is included in this and until we have the figures I do not think we can discuss it.

The CHAIRMAN: I am in the hands of the committee. You understand that these are general powers of the company which are included in any company incorporation. They are not specific acts of a company.

Mr. BARNETT: Mr. Chairman, on the question of order, it does appear to me that, after we have considered general powers as set out in clause 10, and have come to some conclusion on whether or not these are as they should be, we would then be in a much better position to accept the details of the figures, either under clause 4 or under the schedule which sets out the memorandum and we can reach an understanding that clause 4 and the schedule would not be dealt with today. It seems to me, after general discussion on the outline of powers proposed under clause 10, we would be in a better position to deal in detail with the figures—

The CHAIRMAN: Then, we can deal with the schedule which is the agreement and also the cost outline. Is it the wish of the committee to proceed with section 10 (*a*)?

Mr. ROCK: No, I object. Mr. Chairman; I object strongly to this because I feel that if we do agree with this there is no use to go on with the cost.

The CHAIRMAN: What is the wish of the committee? All those in favour of proceeding with section 10 please indicate. Shall we go ahead with section 10? All those in favour please raise their hands.

Mr. REGAN: Mr. Beaule does not know what vote is on.

The CHAIRMAN: All those against? All right we will go ahead. Section 10 (*a*).

Mr. CARON: I did not get that count.

The CHAIRMAN: The count has been given by the clerk.

Mr. CARON: I can ask for a recount. I think that it was 10.

The CHAIRMAN: Will you please stand? Those in favour? Those against? Suggestion on proceeding with section 10 agreed to.

Mr. CARON: I thought it was even.

The CHAIRMAN: Any question on 10 (*a*)? On 10 (*b*)?

Mr. COWAN: When do we get the figures? Having been assured that they would be in our hands yesterday morning, I would like to know if we might get them late today?

The CHAIRMAN: They are here.

Mr. COWAN: I would like to look at them. I will not go get one. They said they would give them to me yesterday morning.

The CHAIRMAN: Section 10 (*b*)?

Mr. ROCK: Excuse me.

The CHAIRMAN: Wait till we get those figures.

Mr. ROCK: Mr. Chairman, if we cannot stand the whole of clause 10 that we could stand possibly (*a*), for the same reasons as I mentioned before.

Mr. REGAN: We voted on that.

Mr. ROCK: Not necessarily, because the Chairman himself made the argument also that there are certain parts of this clause which we possibly should not stand. I still think that, and I will bring this argument out for Mr. Beaulé, who was not here before. I was arguing this case before, Mr. Beaulé, by saying that we did not receive the figures that we asked for last time. The National Capital Commission themselves are going to give millions of dollars for the transfer of land, rebuilding, relocating and all that. Therefore, if we pass all these items on clause 10, it is no use going through this anymore and this is the reason why I asked for a decision.

Therefore, even though we can go through clause 10, we still do not have to approve every item. We can stand certain items until we can go through these figures next week. I feel like standing clause (*a*) because this is to acquire such lands or any interest therein.

Mr. BEAULÉ: It is agreeable.

Mr. HAHN: Mr. Chairman, on the point raised by Mr. Rock, I quite agree. We cannot approve this specific transaction until we look at the figures. On the other hand, this is the clause that empowers this particular company to acquire certain lands. Now whether we like the financial provisions or not, if the company is to have any sense at all, it must have the general power given under clause (*a*) to acquire lands, and so on. It seems to me that clause 10 deals with the powers that are given to the company which we either agree with it or disagree with. We get down to the specifics of dealing with the figures and the cost incurred when we go back to clause 4. I think we can dissociate the two and approve in principle the acts the company should be allowed to do without reference to the figures. We then can deal with specific deals made when we get back to clause 4 on the figures.

Mr. ROCK: I quite understand that point; there is no harm in standing this until we have the figures. No harm whatsoever is done. Once you have approved in principle, you have approved directly or indirectly; you have approved because this is more or less an investigation and we are here to find out whether everything is quite in order, and to find out if everything is quite in order, we should investigate these figures and there are quite a few million dollars being spent for this relocation.

Mr. BARNETT: Mr. Chairman, on the question of order, I would submit that we have already settled some of the particular questions by a standing vote in the committee. Otherwise we would never complete consideration at all.

Mr. ROCK: Not necessarily, Mr. Chairman; I can still ask whether we still stand part (*a*) of the clause. In many committees we have stood separate parts of clauses. Just because you decided to continue with the clause, it does not mean that we approved the whole clause. I mean clause 10; so subclause (*a*) could stand.

The CHAIRMAN: Mr. Rock, if I may, I do not understand your argument at all. If it will help you, I will do anything, I will stand the whole bill. But, I am going to tell you one thing. I am a lawyer and for what I am worth as a lawyer, I am going to tell you that these powers which are being asked are the general powers of a company. They do not grant them powers to do any specific

act, but let us go ahead and stand subclause (*a*) and go to subclause (*b*), if that is the desire of the committee.

Mr. CARON: What is the big rush on that? We can go ahead with subclause (*b*).

Mr. HAHN: The same argument, Mr. Chairman, could be applied to subclause (*b*). I think that if we are going to deal with clause 10 as the vote indicated we should, we should get on with it.

The CHAIRMAN: But Mr. Rock has indicated that he wants it stood. I did not see any objections to standing it. Do you want another vote on subclause (*a*)?

Mr. REGAN: I do not think there is anything to be gained by standing this general clause because it is only on incorporation, but if it is going to stop our long filibuster, I am quite happy to stand it.

The CHAIRMAN: Stand subclause (*a*)?

Mr. ROCK: Yes, I say stand subclause (*a*).

The CHAIRMAN: Subclause (*b*)?

Mr. REGAN: Passed.

Mr. COWAN: In subclause (*b*) I quite agree with you, Mr. Chairman, as a lawyer that 10 (*a*) is the normal powers and privileges of a newly incorporated company but in subclause (*b*), I have underlined certain words; in lines 37, 38 and 41 you will find that for the purpose undertaken the company may provide parking areas and equipment and in lines 43, 44, 45, 46 and 47, such other property and facilities, as are suitable or advantageous for the receiving and carrying of passengers of such companies as desire to use the company's railway.

How many incorporation papers grant companies the right to organize taxi companies that are owned on a vertical trust basis? I am opposed to the Ottawa Terminal Railway Company going into the taxicab business, the same as—

An hon. MEMBER: Should we wait until we get to that?

Mr. COWAN: We are there right now, clause 10 (*b*).

Mr. CANTIN: That is in clause 10 (*g*).

Mr. COWAN: Well, I am underlining in clause 10 (*b*). It is also in clause 10 (*g*). I have subclause (*g*) underlined.

The CHAIRMAN: One moment, please. Mr. Cowan, I think Mr. Macdougall should be here to explain clause 10 (*b*).

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, on a point of order, a question of privilege. I notice that the figures have been distributed only in English to all members. Would it not be possible to have them in French as well?

(*Text*)

The CHAIRMAN: Mr. Macdonald, are there any figures available in French at the present time?

Mr. D. L. MACDONALD (*National Capital Commission*): I am sorry, sir, we could not make it on time; we worked on this until late last night.

The CHAIRMAN: They will be available later.

Mr. BEAULÉ: When?

Mr. CARON: I think they only have to translate the first page—the rest are mostly figures.

(*Translation*)

Mr. BEAULÉ: Would it be possible to reserve section 4, until we receive the French copies.

Mr. CARON: It is reserved.

(*Text*)

The CHAIRMAN: Would you have the copies, Mr. Macdonald, on Tuesday next?

Mr. MACDONALD: Yes, we can.

The CHAIRMAN: Now Mr. Cowan, in connection with subsection (*b*)—did you hear the question Mr. Macdougall?

Mr. MACDOUGALL, Q.C. (*Solicitor General, Canadian National Railways*): Yes, I heard the question, Mr. Chairman. Subsection (*b*) is an empowering section and has nothing to do with the operation of taxi companies or the formation of taxi companies, if that is the import of the question. You will note that the marginal note is to provide terminal facilities and that it is in connection with the undertaking which is to provide the railway with related facilities. The general power is given there to either acquire by purchase or some other method or to build or in other ways provide or, once you get it provided, to modify it or change the general things that you would have in a terminal, such as tracks, sidings, yards and parking areas—equipment which might be a loader for piggyback operations or any type of equipment that would be needed in the terminal for the handling of freight and passengers in the terminal. I do not think that that section makes any provision for setting up taxi companies and this is borne out I think by the fact that in section 10 (*g*) there is provision in the form of the bill as drafted and as I have it, for the establishment and operation of buses and cabs, etc., which we will speak about when we come to that, because there are some problems in connection with it and there will be something said about that when we come to it.

Mr. COWAN: His words are not being taken down by a shorthand reporter. Are there any committee reporters? He says that this does not apply to taxis.

The CHAIRMAN: That is right.

Mr. COWAN: On the record?

The CHAIRMAN: Yes.

Mr. COWAN: I jlst point out that it refers to the carrying of passengers of such companies as desiring to use the company's railway. Well, if I desire to use the company's railway after this station is built at Hurdman's bridge, I presume I would get there in a taxicab although I might walk. When he talks about carrying passengers such as desire to use them that would include me. If he says that is not the taxi section, this is all right. I was watching both the (*b*) and the (*g*).

The CHAIRMAN: Mr. Beaulé.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I notice in subsection (*b*), a reference to a parking area. Will that projected parking area be operated by private enterprise or by the Ottawa Terminal Company?

(*Text*)

Mr. MACDOUGALL: This is a question which I do not think anybody can answer, since we have not got to the details of working this out, to the point where we know just how this is going to be handled but, I think that . . .

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, on a point of order. We are here to discuss a bill. The explanations are in the bill and we are told that no one knows what is going to happen. I feel we are entitled to know what will happen when the bill is passed. It seems to me that we have a right to know what will happen when the bill is adopted. It is, therefore, obvious that we get all the information before the bill is adopted by the Committee.

(*Text*)

Mr. MACDOUGALL: Well, all I can say on that is that we appear to give any information that we have with respect to the bill, but I think it should be realized that at the commencement of a new company of this kind, every detail is not known at the time one seeks incorporation. If you think in terms of the ordinary incorporation of a company where a decision is made to form a company and incorporation is made, I would think it is a lot less work if the arranging of the details of the corporate operation is in hand at the time the incorporation is sought than if actually developed at the time this incorporation was sought, because this is a little more complicated and a little more difficult than the incorporation of a private company. But we do operate some of the parking areas ourselves and in some other instances, we have private operators, if it is a large operation, such as the operation in Montreal, where we have a private operator. It depends upon what will give the best service and what is the most economic way to do it. We find in some areas it is more economical to do it ourselves and in other areas we find it more economical to have an established operator to do the work. So, all I can say is that as far as I know no decision has been made on how this will be actually dealt with. So that is the full extent of my explanation.

(*Translation*)

Mr. BEAULÉ: Will that parking area be a paying one for travelling customers?

(*Text*)

Mr. MACDOUGALL: Well, I do not think the intention is that we are going to set up the parking operation particularly. The object here is to provide sufficient space in the station grounds, so that people wanting to use the station facilities, would have room to park. Taxis coming to serve the public would have ample room to move and to set up a cab rank or something of that kind to serve the public. Or, should it be that the local bus services were to come to the station to serve the public, there would be room for them to operate and to pick up and set down passengers.

(*Translation*)

Mr. BEAULÉ: Yes, but in order to understand me well, I mean travelling people, those who take the train. They drive their own car to the station and want to leave it there until they come back from their journey by train and drive back home. Will there be parking facilities for those travellers? Who will operate that parking and will there be any charge for it?

(*Text*)

Mr. MACDOUGALL: Yes.

The CHAIRMAN: Section (*b*) carried? Mr. Barnett—

Mr. BARNETT: Mr. Chairman, there is one phrase in line 33 that rather puzzles me. I am wondering why the phrase "of such companies as desire to use the company's railway and related facilities", is there instead of the phrase, "such persons" which I would think would include companies. I cannot quite understand the meaning of that. Is this limited to incorporated companies? This relates to the question about provision of facilities for individuals. I am puzzled by the use of that phrasing; I wonder if that could be clarified?

Mr. MACDOUGALL: The phraseology of that section refers to buildings, structure, tracks, sidings, connections, yards, etc.

These are the facilities that are going to be made available by the Ottawa Terminal Railway Company for presumably the Canadian National and/or

the Canadian Pacific. This is the heart of the empowering section which authorizes the terminal company to establish the facilities which it will need to give service to the two railway companies. That includes the service which may be required by them for passengers and for freight.

Incidentally, the service would of course then be handed on to the actual customers of the two railway companies but this section is related to the terminal company: having the power to provide the facilities that are required by the Canadian National and the Canadian Pacific who will use the terminal company's facilities to give service to the customers for passengers and freight.

Mr. BARNETT: On that point then, could I ask this further question? Is this phrased so that if, at some future time, by some other act, it was decided to allow the building of another railway into Ottawa, that the terminal company could service them in addition to the Canadian National and the Canadian Pacific.

This is probably a hypothetical situation but it could happen.

Mr. MACDOUGALL: I think that this is the general reason for referring to such companies because, looking ahead for a good number of years, it is practical to use a generic term rather than a specific one in referring to the railways.

The CHAIRMAN: Does subsection (*b*) carry?

Carried.

The CHAIRMAN: Does subsection (*c*) carry?

Carried.

The CHAIRMAN: Does subsection (*d*) carry?

Carried.

The CHAIRMAN: Does subsection (*e*) carry?

(*Translation*)

Mr. CANTIN: Mr. Chairman, I would like to propose an amendment here to obliterate the word "licences".

(*Text*)

I move an amendment to withdraw the word "licence".

Mr. REGAN: Is this in subclause (*e*)?

Mr. CANTIN: Yes, subclause (*e*). We have had some representations from the city of Ottawa—

The CHAIRMAN: One moment please, could you give me a copy of your amendment?

(*Translation*)

Mr. Cantin proposes a motion, seconded by Mr. Matte, to amend subsection (*e*) of section 10 by omitting the word "licence".

(*Text*)

The CHAIRMAN: It is moved by Mr. Cantin and seconded by Mr. Matte, "That subclause (*e*) be amended by striking out the word "licences". Would you explain Mr. Cantin?

Mr. CANTIN: We have had some representations from the city of Ottawa and the national council not to give such permission to this company to issue licences.

Mr. MACDOUGALL: Perhaps I might make a comment on that Mr. Chairman. The representatives of the city of Ottawa spoke to the railways about this point and we have no desire to get into any difficulties or differences between ourselves and the city. We are quite happy to have the word "licences" taken

out of there. The power will remain to us to grant leases. This power is in there to deal with the people who want concessions on the station property and we were quite happy to have the word "licences" taken out of it, if it is apt to cause any conflict with the powers of the city of Ottawa.

The CHAIRMAN: On the amendment?

Mr. ROCK: Just a minute.

The CHAIRMAN: We are not passing the amendment.

Mr. ROCK: There may be something there that we are not thinking of.

The CHAIRMAN: On subclause (*e*).

Mr. BARNETT: I am no authority on drafting but it appears to me that the amendment should also include the deletion of the comma.

The CHAIRMAN: Yes. Mr. Barnett has brought to my attention that the comma should be left out after the word "leases". Does subclause (*e*) as amended carry?

Carried.

Subclause (*f*).

Mr. PETERS: I would like to know if under this clause, the railway companies are retaining a piece of property from the National Capital Commission, located in the present station area, for the erection of a hotel?

Mr. MACDOUGALL: I am afraid that I do not understand the question, sir.

Mr. PETERS: Well, the present station and its yarding facilities have been transferred to the National Capital Commission. Is one of the railways retaining a piece of property in that area to build that 500-room hotel?

Mr. MACDOUGALL: No, I do not think so, but I do not know.

Mr. PETERS: Well, it would seem very foolish to buy it. You are not going to build a hotel in Alta Vista, I don't expect. Somebody is going to build this 500-room hotel, why not the railroad companies.

Mr. MACDOUGALL: I can't tell you who is going to build it, I do not know. I do not even know whether they are going to build it or not. But this empowering section would mean—as I say again we will have to look ahead for a good number of years. In fifty years time, you might have a hotel or more than one hotel built in some part of the Ottawa area by this company. I do not know. This would empower them to do that at the appropriate time. That's all.

Mr. BARNETT: Could I ask a further question? This section as drafted would empower at some future time the Canadian National Railways to sell the Chateau Laurier to the Terminal Railway Company. Could this be done under this authority?

Mr. MACDOUGALL: It would mean that this company would have the power to operate or manage a hotel. It could be the Chateau Laurier, but I don't think that this is the intention of the company.

Mr. BARNETT: I am not, by my question, advocating that the Canadian National Railways do that, but I was just wondering whether this could be done.

Mr. COWAN: When they talk about conveniences, does that include taxicabs, too? I would like to have that on the record as "no" because I don't want to come back later and be told that this gave them the right. Does that include taxicabs?

Mr. MACDOUGALL: I don't know that I am an expert as to what the word convenience means and everything it would cover.

Mr. MILLAR: That only means washrooms.

An hon. MEMBER: Do they not have them in Toronto?

Mr. COWAN: Where they are going to build that new hotel, that little model, shows conveniences for dogs. There are eight or nine trees. Where is that little model? Did you see it the other day?

The CHAIRMAN: Shall Mr. Cantin's amendment carry?

Mr. PETERS: One more question on this clause. Do you contemplate only these things—you mentioned shops, warehouses, offices, etc.—only within the complex of the land you now have? The question Mr. Barnett asked is a very pertinent question. You are going to have a lot of money in that Terminal Railroad Company. We gave it all to you. You could easily buy the Chateau Laurier if you wanted to. The railway company itself is in the deal. But you get paid for it. You could quite easily go into this field in a fairly large way if you wanted to. Is that contemplated? Are you contemplating going outside of what is normally called a railway complex?

Mr. MACDOUGALL: I don't think, Mr. Peters, that there is any contemplation along the lines that you commented on, but this company will have the power, as was said already, to acquire this land and other things as it goes along over its life and it could be that sometime, I suppose, a hotel could be built on lands which it does not own at present, but which it will probably acquire, but I don't know. There is no such contemplation at this moment and this is all speculation into the future for the purpose of the section. It relates solely to the fact that if, as part of the undertaking of this company, the managers of the day consider that it is necessary to have a hotel or suitable to have a hotel or warehouse or something of that kind, they will have the power then to build one. This is quite natural and normal for an empowering section.

Mr. ROCK: Mr. Chairman, we are looking over clause (*e*). It says:

> Acquire, erect, manage, operate or control hotels, restaurants, offices, shops, warehouses, storage and other rooms and conveniences.

Now, as to convenience, I just looked at all the others and nowhere are parking lots mentioned insofar as having the right to lease or to give them out as a concession is concerned. I would like to know from the legal adviser where, in any of these places, is the right to lease land for parking facilities. I am concerned about this. I would rather that you did not have the power to have a parking lot that you are going to lease, as the airports do today, to concessionnaires who are charging the public a fabulous amount of money and I would rather that the railway shall not have this power.

I would like to know right here if that power is given anywhere in any of these clauses. I do not mind if they have a parking lot on their own, but to lease it out to concessionnaires who are going to charge a fabulous price, as they do at airports, I am against it.

Mr. MACDOUGALL: I am not sure that—

Mr. ROCK: I just want to know what is covered by conveniences.

Mr. REGAN: I wonder if I might just say a word on that. I think Mr. Rock will agree with me that, surely, an airport is in a different position, because of the fact that it is quite isolated from the city, and as a consequence it is of necessity that the people, if they are to park on that huge piece of land and not walk a couple of miles, must park in that parking lot. It becomes capital. I think that with the railway it is not the same.

An hon. MEMBER: This is not the case here.

Mr. REGAN: I think that any company, if it is going to operate successfully, should have pretty well the same powers as Raymond Rock would have if he opened a business. You open a business and you see the advantage in doing such and such which is legal to make your business more profitable, that you as an

individual can. This incorporation seeks to put that company in much the same position and from the point of view of operating an efficient business, it is surely desirable.

Mr. ROCK: Except that the federal government is paying the full shot down here and therefore the capital expenditures are nil and therefore I do not see where they are going to make a profit on that.

Mr. SPENCE: I hardly think that they are, if you consider that the Canadian Pacific and the Canadian National are contributing pieces of land in return which they can sell on the open market for a pretty sum of money.

Mr. ROCK: I wonder. We will see that when we investigate this afterwards. I would like to know, Mr. Chairman, whether there is the right in any of these clauses here to give out a parking lot as a concession, like an airport.

Mr. MACDOUGALL: I think, Mr. Rock, as we have explained, there is provision here in the plans for providing facilities to the public at the station with respect to the parking or the ability of public vehicles, such as taxis, buses, or other conveyances to get in and out freely from the railway station to give service to the public. I don't think—

Mr. ROCK: I like the way you use the word "freely".

Mr. MACDOUGALL: "Freely" has to do with the ability of the cars to move more freely than they do at the present station where we have room for five taxis only, and when they are parked it is difficult for people in private cars to get to the station. This is one of the things that we are trying to improve. We are trying to have more room and more facilities so that people will be attracted and interested to come to the railway station. We are interested in attracting them for the business, because all we are interested in is to give service and getting the business from the public. Our purpose here, —pardon me, sir?

Mr. PETERS: That is a pious statement after the lecture.

Mr. MACDOUGALL: I think that is a true statement because railways have no other interest in being in business other than to give service to paying traffic and to make money.

Mr. PETERS: Not to serve the public, but to make money.

Mr. MACDOUGALL: To serve the public at a reasonable price.

The CHAIRMAN: Gentlemen, if we are going to have the witness answer the question, I think you should give him the opportunity to finish. It is better to object after than to interrupt the witness.

Mr. MACDOUGALL: As I understand the question, it was whether or not there is any provision in here which will empower this company to give a concession with respect to a parking lot. And the answer is yes. Under subparagraph (*e*) there is the right to grant leases and concessions. Now the concessions might be with respect to telephone booths, shops or a newsstand, any of the things which might be of interest to the people who are going to obtain service from the railway. This would include, as it does include in many other areas, the taxi provision, or it could include, as I said before, arrangements through a concessionnaire to handle a parking lot. In some areas, we find it is cheaper to do it that way; in some others, it is cheaper to do it by ourselves.

But we do think it is important to provide facilities for parking lots, turning areas, and things of that kind for public and private conveyances and that is the purpose of the power.

Mr. ROCK: Mr. Chairman, according to clause (e) I thought they were more definite in the way they mention the right in certain words. They say: "Hotels, restaurants" rather specific "shops, warehouses, storages and other

rooms and conveniences, and in connection therewith or any portion thereof grant leases and concessions." If we take the word conveniences out, then, I believe that you would be able to rent out as a concession the parking lot. Is that right?

Mr. MACDOUGALL: No, I do not—

Mr. ROCK: You are very specific in what you could lease and grant leases to or concessions. It is hotels, restaurants, offices, shops, warehouses, storages—well, is a parking lot not storage in a sense?

Mr. MACDOUGALL: If I may say something, Mr. Chairman. If we just take, for example, the word "hotel", the company would have the right to acquire, the right to manage, operate or control hotels and in connection therewith or any portion thereof to grant leases or concessions. That I would think certainly would include the right to grant a concession on some of the hotel property for parking.

Mr. ROCK: I am not too much concerned about the concession, let's say, for a parking lot for a hotel, but I am concerned about the John Doe public who has to come in to get a train or people coming to meet people that are getting off the train. They will have to pay to some concessionnaire a fabulous amount of money for the privilege to park and to enter the station. This, I am against and I would like to know how to remove that from this bill.

Mr. MACDOUGALL: Mr. Rock, if I may say, and as you probably have noted, in the city of Montreal, we have parking arrangements at the Central station and have parking arrangements there for the general public, but there are also parking arrangements for the railway patrons. If you go there with your car, we provide free parking for the railway patrons for the first half hour. Now, this is an explanation of the type of things that we have done and perhaps indicative of the point we are trying to make. In providing parking facilities, we are trying to provide ease with which our customers can come to and go from the station. It would not necessarily cost the customer anything and we would expect to deal with this. Probably something will be done such as in Montreal, whereby there is free access for the customer to come with his car, and leave it there for a reasonable time to meet people or pick up baggage or do whatever there is to do.

Mr. ROCK: All right.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have a supplementary question. I think that hotel parking lots are meant for hotel customers who are not paying for parking. Why should they pay for parking when they are travelling by railway?

(*Text*)

Mr. MACDOUGALL: That is what I just mentioned, Mr. Beaulé. In Montreal they do not pay for parking when travelling by railway or picking up baggage. They get half an hour free parking at the Central station in Montreal.

Mr. BEAULÉ: But they do pay in Quebec.

Mr. MACDOUGALL: I am not sure that I know the details of the situation in Quebec, but I presume there must be some way by which they can get to the station without paying for the privilege of parking at the station. I doubt whether they would pay in Quebec for the privilege of parking at the station or to pick up somebody.

Mr. CARON: What does it cost if you leave your car the full day? If you go to Montreal, for the day and return to Ottawa to pick up your car, how much would it cost?

Mr. MACDOUGALL: I am afraid I cannot answer that, I do not know. It would probably cost the going rate in that type of service.

Mr. CARON: Almost as much as the train.

Mr. MACDOUGALL: I do not know.

(*Translation*)

Mr. GUAY: Mr. Chairman, I would just like to know if there is a possibility of operating it the same way as in Quebec, where I believe the parking lot is owned by the CNR but is operated by the City, with the undertaking of reserving part of the parking area for the staff or others if the staff does not use all the area. That is the agreement which was concluded at Lévis, and I think it is a favourable one. Whoever is just passing may park if the staff is not using the whole area reserved for them, but parking is operated by the City under a surrender or a rental arrangement. The parking area is operated by the City itself. I think that is the case in Quebec City, but I am not positive. For Lévis, such is the case. So, is there any possibility of adopting here the same system or does the CNR wish to operate the parking lot themselves at so much per day? If one has to spend one hour waiting for or to accompany someone, will the charge be for one day or one or two hours?

(*Text*)

Mr. MACDOUGALL: I think that the general answer I gave before is the answer to that question and our policy is not presumably the same here. We want to provide some facility at the station where people can come without any charge and pick up passengers and set down the passengers. If people want to park their car for a day, this gets into the realm of what is the competitive charge that they would expect for parking their car for the day, and presumably there is no more obligation on the railway to provide free parking for a day than there is for a private operator.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have asked a question a little while ago, but I have received no satisfactory answer. I have asked why it is that a passenger travelling by train has to pay for parking his car while on his journey, whereas a hotel customer does not pay for parking when he stays at the hotel.

Mr. CARON: Probably the hotel is charging him more than the railway company. Twenty dollars a night.

(*Text*)

Mr. BEAULÉ: May I have an answer to that?

Mr. BARNETT: Mr. Chairman, on the question under discussion, I must confess that I am a little bit puzzled by the answer that were given, on this question, concerning parking areas, there is specific . . .

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have not yet had an answer to my question.

The CHAIRMAN: Mr. Beaulé, I think Mr. Macdougall answered that he does not feel he can make a comparison between a hotel and a railway. There is no answer to that question.

Mr. BEAULÉ: It is not a comparison between the railway and the hotel, it is comparing parking for customers of a hotel owned by railway companies which is free, with the stations of the same railway companies where parking has to be paid for by the same customers. Then, I would like to have an answer. What makes the difference?

Mr. CARON: I can give you my opinion. The hotel is charging from twelve to twenty dollars for one room which is considerable, whereas the railway is charging $2.65 for a trip from Montreal to Ottawa. I think that is the only difference.

Mr. BEAULÉ: They could say so, but they don't dare.

(*Text*)

Mr. BARNETT: Mr. Chairman, in part of the answer given by Mr. Spence, where he made reference to including hotels and parking facilities for hotels I doubt the wording of clause (*e*) a bit, particularly in view of the fact that subclause (*b*) makes specific reference to parking areas which under the terms of that subclause can be acquired, constructed and operated. No reference is made to leasing, whereas in the clause that we have under immediate consideration, certain facilities are mentioned; and as suggested earlier, unless the term conveniences would cover them I fail to see where we are in effect departing altogether from the merits of the question: authorizing under the phrasing the leasing of a parking area to a concessionnaire. I think it would be desirable if the railway companies were to offer a direct parking area adjacent to the station, rather than leasing it as part of their over-all plan of parking facilities. But I am a bit puzzled at the replies which would indicate that this bill as drafted does give to the proposed terminal company the authority to lease a parking area in view of the specific reference in the earlier subclause to parking areas which they can construct and operate.

Mr. MACDOUGALL: I think that under clause (*b*) the powers are pretty general, to acquire, construct, provide, modify, improve, maintain and operate parking areas. That power lies with the terminal company and I suggest that operating parking areas might mean operating by the terminal company itself or by some lessee of the terminal company.

Mr. BARNETT: You feel then that the term "operate" is broad enough to include leasing if that were considered desirable by the company.

Mr. MACDOUGALL: I should think so. It is a very broad section.

Mr. BARNETT: In that connection, I am puzzled over the difference in the phrasing. The subclause we have right before us specifically spells out the right of leasing.

Mr. MACDOUGALL: Yes, the right of leasing is mentioned there. I do not know that the promoters were particularly concerned with parking areas in that section as much as with these concessions that you see in hotels and stations: shops that can be put in to earn a little extra money for the companies through rental. Naturally, I would think that the management and operation, for instance, of a hotel would include some area around the hotel for parking whether the hotel operated it itself or whether it gave a concession for that purpose. I think that would be within the power of the hotel as a hotel.

Mr. BARNETT: It seems to me, from the way the bill is drafted, the clear implication is that it is much more likely that shops and things like that would be leased rather than parking areas.

The CHAIRMAN: Shall Mr. Cantin's amendment carry?

Carried.

The CHAIRMAN: Shall the section as amended carry?

Carried.

The CHAIRMAN: Shall subsection (*f*) carry?

Carried.

The CHAIRMAN: Shall subsection (*g*) carry?

Mr. FISHER: I just want to ask Mr. Cantin if his amendment will have anything to do with trucking.

Mr. CANTIN: For passengers, I move that all this paragraph be deleted and that the following be substituted therefor:

> Establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods by means of trucks, or other highway vehicles, or other means of conveyance and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.

Mr. COWAN: I will second it.

Mr. ROCK: You are taking the passengers out; is that it?

Mr. CANTIN: Yes.

The CHAIRMAN: Mr. Cantin, seconded by Mr. Cowan, moves, that subsection "G" be replaced by the following:

> Establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods by means of trucks or other highway vehicles or other means of conveyance and acquire, hold, guarantee, pledge and dispose of shares in any company having for one of its objects the establishment or operation of such a service.

Now, in effect, Mr. Cantin's amendment will delete four words.

Mr. CANTIN: On line three, the words "and passengers", and on line four the words "buses, cabs".

Mr. ROCK: I hope that this does not mean that the Canadian Pacific Railway cannot transfer passengers to the Canadian National Railway.

Mr. FISHER: I am prepared to have the question and have the amendment carry, but then when the amendment is carried, as I assume it will be, I would still want this open for discussion, because I want to bring in the question of trucking.

The CHAIRMAN: Shall the amendment carry?

Mr. PETERS: Could I ask why the government is recommending this?

Mr. CANTIN: We have had representations from the city of Ottawa.

Mr. PETERS: Can you explain what it means?

Mr. MACDOUGALL: Mr. Chairman, perhaps I could say a word on Mr. Cantin's amendment. The bill as drafted before you is in the same general form that has been used in bills of this kind before, notably the Toronto Terminal Company Bill, to provide the power, but the Ottawa Transportation Commission made representations to the companies and to the government, because they have an exclusive franchise for handling passengers in and about the city of Ottawa which was given to them by parliament. These powers would transgress upon the exclusive franchise of the Ottawa Transportation Commission. We have no desire to do that, or to get in any conflict of that kind. We quite gladly agreed that the reference to passengers should be removed so that there could not be any idea that there was a conflict. That is the purpose of the amendment.

Mr. PETERS: Could I ask a question? As I understand it, you are going to have one connection with Hull on one of the railroads, I am not sure which one, but you are going to have one connection; you are also going, no doubt, to have a line on the Quebec side, and I do not know which railway, but it may be the Canadian Pacific is operating a certain sector of north shore—or whatever you call it—that has not got a connection, actually to the east-west passengers. There may be one of the passengers of the Canadian National that will wish to go on to an area near Lachute, or somewhere that is only served by Canadian Pacific. This, if you think this out, means that the railway cannot provide road communications or a connection between those two railway areas.

Mr. MACDOUGALL: I think it would mean that if there were a passenger bus service set up to transfer passengers, it would have to be done by some party other than the Ottawa Terminal Railway Company.

Mr. PETERS: Other than what?

Mr. MACDOUGALL: Other than the Ottawa Terminal Railway Company. It would have to be done by the Ottawa Transportation Commission or some other party that is empowered to do that.

Mr. PETERS: Are you not now empowered to do this under the terms of the Railway Act? Do you not have this right now to transfer your own passengers to another line? You sell a ticket—to Lachute from North Bay, we will say—and if the train only goes to the Ottawa Terminal and then goes to Montreal via Dorval, you do not take that passenger, so you would transfer him to another line where you have communications to Lachute via the north shore, the Canadian Pacific Railway for instance. You now undertake to supply this transportation, you sell a ticket on the basis of supplying transportation. Do you not have these facilities?

Mr. SPENCE: Not the railway company itself. The railway company would make an arrangement or contract with a bus company or with a taxi company to transfer its passengers but the railway company itself does not operate buses on the highways for purposes of that kind. It is always done by contract as far as the Canadian Pacific is concerned.

Mr. CARON: But what if they use buses? Take the Ottawa buses. They only come into the city of Hull; they do not go inside it. Those living two and even three miles inside the city of Hull would have to take two buses to go there. That means an impossible increase for the people of Hull because the Canadian Pacific Railway do not want to give us service on the other side. They want to take away the trains, without giving anything to replace those trains. That is what I do not understand, and I never will. They should have more trains and tracks on the other side. There is nothing in the bill dealing about this.

The CHAIRMAN: Will you comment?

Mr. SPENCE: The only comment that I can make is that there was this objection taken to the infringement that apparently was contemplated—or at least unintentionally contemplated—on the exclusive rights of the Ottawa Transportation Commission and when that was pointed out to us, we said that we had no intention of trying to infringe upon their territory or their rights. Therefore, we were quite prepared to leave the field to them since this was apparently—

Mr. CARON: The poor people have to pay for it.

Mr. TARDIF: What does a passenger from Hull do now? That is, he is on Preston Street and he wants to go to where the Beamer Station is now. What does he do? Can he go there by taking one bus or must he take two buses?

Mr. CARON: He takes on bus.

Mr. TARDIF: No, he cannot.

Mr. CARON: Yes.

Mr. TARDIF: How does he do it?

Mr. CARON: Any bus, but he has to transfer from one bus to another; but he takes the bus.

Mr. TARDIF: Well, if he took an Ottawa Transportation bus he could only get into the edge of Hull. If he wants to go to St. Redempteur Street, for instance, he has to take a Hull bus.

Mr. BEAULÉ: That is out of order, Mr. Chairman.

Mr. TARDIF: Sure, it is out of order.

Mr. PETERS: Well, Mr. Chairman, I am not so sure it is—

Mr. CARON: It is 3 miles away from the Ottawa bus and this he will have to pay for.

Mr. TARDIF: He has to take two buses.

Mr. CARON: You seem to believe that there is only the Ottawa people who take this bus, but we have the city of Hull as well. We have to take the share of the city of Ottawa and this is the reason why I am here.

Mr. TARDIF: I was suspicious that there was a city of Hull. Now, I am glad you reassured me.

The CHAIRMAN: Order.

Mr. ROCK: The gentleman from the city of Ottawa. Do you represent the city?

The CHAIRMAN: We have Mr. Beament here who is counsel for the Ottawa Transportation Commission. Do you want to question him?

Mr. ROCK: Yes that is the fellow I want to question. It was stated here that the—

The CHAIRMAN: This is Mr. Beament, Q.C., of the city of Ottawa.

Mr. ROCK: I understand then, that according to statements made here. Mr. Chairman, that the Ottawa Transportation Commission—as it is called?

Mr. A. W. BEAMENT Q.C. (*Counsel for the Ottawa Transportation Commission*).

Mr. ROCK: It is said that you have complete jurisdiction over transportation within the limits of Ottawa. Is that true?

Mr. BEAMENT: No, we have no jurisdiction over taxi cabs.

Mr. ROCK: No, I mean buses.

Mr. BEAMENT: Yes, I think that is so. You see the Ottawa Transportation Commission is subject to the jurisdiction of parliament. It resulted originally, prior to the Ottawa Transportation Commission coming into being, really its predecessor was created by a pre-confederation statute of Canada and then at a later date another company was created. The first company had nothing but horse cars. Along in 1890-91, when electricity appeared to be feasible for the operation of municipal transportation systems, the province of Ontario created another company by letters patent. At one time in the very early nineties Ottawa had two municipal transportation operations, and they entered into an agreement with the city of Ottawa which obviously contemplated two things: one, extending their operations into the city of Hull, and, two, amalgamating these two companies at some suitable time. That agreement was approved by parliament and incidentally by the province of Ontario because presumably the city of Ottawa was a party to it, and the works of the two companies were declared to be works for the general advantage of Canada. About a year later the amalgamation act was passed by parliament and these two companies then became the Ottawa Electric Railway Company, which continued to operate under the statutes of Canada; but throughout in those statutes in so far as details of operation were concerned, parliament was always meticulous to see that they were made subject to the laws of Ontario in relation to the operation of municipal transportation systems of like nature.

Under one of these earlier acts of 1894, I think, confirming the agreement, the city of Ottawa had the right to purchase the operating assets of a company, and in 1948 they exercised that right after a plebiscite and the price had been fixed on a formula basis and they agreed to a price somewhat less. In the meantime the province of Ontario had passed the Ottawa City Transportation

Act, many years before and it had contemplated the possibility of the city at some time exercising its right to acquire the operating assets of the Ottawa Electric Railway Company. In 1948, when it became apparent that the right was going to be exercised, Ontario passed rather drastic amendments to that act to provide for the operation of municipal transportation systems. At that time, quite apart from the declaration contained in the Act of 1894, that this was the works for the general advantage of Canada, the company was, in fact, operating into the city of Hull and therefore the declaration, although in intermediate acts, was really not necessary because it remained subject to the jurisdiction of parliament because of the nature of its operations.

In 1949, 1948, actually, the agreements provided that the city, through its statutory agent, the Transportation Commission, would take over the operation of the system, which at that time was part bus and part street railway, and it was necessary for the commission to go to the minister of transport of the day and get an operating certificate under the Railway Act because parliament was not at that time in session. A private act was passed in April 1949, approving the agreement and providing that so much of the operation—it took the Transportation Commission out of the operation of the Railway Act where the predecessor company had been, and it provided that, I have the words here, but fundamentally that its transportation operations in the province of Ontario would be subject to any general act affecting transportation or any special act affecting this operation in particular, and the same thing with regard to the province of Quebec, because it was contemplated that the transportation commission would continue to provide facilities to the city of Hull and sometime afterwards, I cannot remember the date, Mr. Caron may remember, they switched from street cars to a bus operation.

Mr. CARON: In 1953.

Mr. BEAMENT: —In 1953, and Mr. Caron will remember the negotiations that resulted in a terminus being set up in Hull.

Mr. CARON: Rather hard. I know because I was the mayor.

Mr. BEAMENT: Mr. Caron, who was then mayor provided every possible facility. In the meantime the commission had gone on an all-bus operation. As a result of that background—I may say that the policy of parliament was always to impose on the operation, in so far as the transportation system was concerned, the law of Ontario. Thus although we are subject to the legislative jurisdiction of Canada, we have to get all the licences which are appropriate to any other transportation system operating in the province of Ontario. In other respects, we are still under the legislative jurisdiction of parliament. For instance, our labour relations are governed not by the Ontario labour code but by the dominion labour code.

(*Translation*)

Mr. LEBLANC: Mr. Chairman, on a point of order. I wonder if we have not gone far astray from the bill.

(*Text*)

Mr. ROCK: Not necessarily.

(*Translation*)

Mr. LEBLANC: I understand we have made an amendment with regard to the Ontario Commission, but, on the other hand, I don't think the history of the Transportation Commission now being discussed does concern the bill.

The CHAIRMAN: As regards the Ottawa Transportation Commission, it is very important because this is the reason why we omitted the words "buses", "passengers", etc. in the section. That is why the clause was amended. It is because the Ottawa Transportation Commission has the exclusive right of transportation in the city and in the suburbs of the city of Ottawa.

(*Text*)

Mr. ROCK: You see, I want to know whether we have to remove buses and I will come to this later on after the gentleman has finished.

Mr. BEAMENT: Well, in 1954, the privy council decided that a company operating buses from one province to another was not subject to any of the laws of the provinces regarding licences, and it went so far as to say that if they were operating a bona fide interprovincial operation they could pick up and drop passengers entirely within the limits of one province without control under the provincial status. As a result of that, parliament in 1954 passed the Motor Vehicles Transport Act. Now the government of Canada, as I understand it, had no facilities for licensing motor vehicles throughout Canada. So the effect of that statute was to make, insofar as the operations to which it applied, the local highway transport board the agent of parliament for the purpose of granting licences. It made these operations which were subject to the jurisdiction of parliament subject to provincial law in relation to things of that kind. The act applies, I think, to a provincial undertaking meaning "a work or undertaking for the transport of passengers or goods by motor vehicle connecting a province with any other or other of the provinces extending beyond the limits of a province". It does not describe it as an operation carried out by an organization subject to the legislative jurisdiction of parliament. Now this proposed act, in my very humble opinion, properly states in section 19 that the works and undertakings of the company are hereby declared to be works for the general advantage of Canada. That takes them out of the jurisdiction of the province, but it does not bring them within the jurisdiction of the Provincial Motor Vehicle Transport Act because of the definition of the type of operation which they supply and because they are not running between two provinces or outside one province. They are entitled to carry on their business in or about the city of Ottawa, which is entirely in one province presumably. I just want to show you the evil of this if it were allowed to stay insofar as the Transportation Commission is concerned.

Under our Ontario legislation, we have unrestricted rights to run in the City of Ottawa. I think really, if it were not that we were not apt to do it, we could determine what streets we would run on and where we would stop our buses. We have never done that, and I am not suggesting that we could. We have unrestricted rights to run in adjoining municipalities in Ontario, on routes that we were operating at the time—in August 1948. That aspect of the matter has become unimportant now because the area to which that would apply has since been brought into the City of Ottawa by annexation. If, however, we want to run, even for a few hundred yards into the Township of Nepean, or into the Township of Gloucester, which are the two townships closest to Ottawa, we have to get a by-law of the township permitting it because we are subject to the legislation of 1949, which is provincial legislation. We have also to apply to the Ontario Highway Transport Board for a certificate of public necessity and convenience in relation to the re-routing.

We are completely under the control of the over-all picture. We have to satisfy them with regard to competition with other operations which may have been licensed under the Public Vehicles Act in Ontario in the areas in which we choose to run. Now, under this act it is wrong. This Ottawa Terminal Railway Company could just run into any place—it could run a bus route into Nepean. I do not suggest that that was ever the intent of the railway, but it points out the evil.

There is no restriction in this act, if they want to run buses, bringing them under provincial jurisdiction.

When this was brought to the attention of the Transportation Commission, we had conferences with the railway, we had conferences with the National

Capital Commission, and we had conferences with the Department of Transport. These four agencies agreed, and I have the letters here, that this sort of thing was never intended and that those words should be taken out of the act. We do not believe in unrestricted operation; we do not believe in anybody being entitled to come into Ontario without any controls from the Ontario authority. There is no dominion authority to govern in detail, to grant licences, etcetera. There is no control. We do not believe in that.

Mr. ROCK: Surely this central station will be receiving passengers and goods from all over Canada and, in my humble opinion, it will be to the general advantage of all Canada—

Mr. BEAMENT: Oh, I think so. I do not talk about section 19 at all. I think it is essential.

Mr. ROCK: How is it then, since your Commission has so much power, or has received so much power, that the provincial transportation buses have their central terminus here in Ottawa and bring in passengers, tourists let us say, school children and the like, from other parts and they do not let them out at their central terminus but drive them all over the City of Ottawa to see all the buildings.

Mr. BEAMENT: You are referring to Colonial Coach?

Mr. ROCK: Yes. Where do they get this power from now?

Mr. BEAMENT: They must have that power by reason of licences granted by the Ontario transport department on the recommendation of the Ontario Highway transport board, because people cannot run from one municipality to another.

Mr. ROCK: You are not getting my point. I am not saying that they should not go from one municipality to the other. I am saying they do take bus loads of school children from many places in Quebec or Ontario. They do not bring these school children to the terminus and let them go onto the local buses but they themselves travel all over Ottawa on a sightseeing tour.

Mr. TARDIF: They only do that if it is a chartered bus?

Mr. BEAMENT: They can do that.

Mr. TARDIF: Only if it is a chartered bus?

Mr. BEAMENT: Yes. Just if it is a chartered bus. The regular routes finish at a terminus in Ottawa but chartered buses come in and do that. They do not do the thing that we object to; that is, pick up and discharge passengers within the city of Ottawa.

Mr. ROCK: Then, now I—

Mr. BEAMENT: We could not pretend that we could bring in a busload of children from Ogdensburg to see the parliament buildings. We do not think that this is competing with us.

Mr. ROCK: Right, that is very good; I am glad to hear that.

Mr. BEAMENT: We are in favour of that. You see we are a local transportation system, but as Ottawa gets these dormitory areas, which are outside the municipal limits, we feel a duty to service them and this continuous process entering into contracts with the adjoining developers and the adjoining municipalities creates service further.

Mr. ROCK: You see, Mr. Chairman, I was just getting to one point which I can clarify now. This idea of removing the word "buses", I think is good for this reason. The two railway companies, the Canadian National and the Canadian Pacific, are at a disadvantage compared to the provincial transportation buses, because when they have many school children coming from all over Canada to visit this place, they have to get off the trains and walk and visit parliament

and the other interesting sights of the federal government. Therefore, I think that this newly-formed railway company should have at least the authority to have its own bus service of some kind to which it could transfer its passengers, or tourists, who come in chartered trains in a sense, because they do, let us say, ask for sufficient students to fill one or two cars. I think that they should have the power also to operate buses for the same purpose. And I think somewhere in this bill they should have power to at least operate these buses as they wish to for that purpose.

Mr. BEAMENT: May I say a word about that? There are three, adequately equipped, serviced and operated bus companies in the city of Ottawa with motor vehicle facilities, licenced drivers and all this kind of thing, who are prepared to provide exactly that service. They are in competition. The Ottawa Transportation Commission is one, the Colonial Coach Lines is another, and the third one escapes me.

This whole matter was canvassed in great detail before a full sitting of the Ontario highway transport board some three or four years ago on the application of a fourth bus company who wanted to provide for chartered services within the city of Ottawa—and incidentally wanted to provide some minimal service outside the city. That was the fact, to get a chartered service; and the Ontario highway transport board, after a very long hearing, said there was absolutely no necessity. These three systems, well-managed, well-serviced organizations, have proven themselves to be absolutely capable, on a charter basis, of providing service of the nature you are asking about.

Mr. ROCK: I agree with what you just said, but the point is that the Canadian National and the Canadian Pacific Railways are at this disadvantage. These companies that you mentioned can go anywhere in Ontario. Colonial can come right into Montreal, pick up school children, but loads of school children, come here into Ottawa and then make a sightseeing tour throughout the Ottawa and Hull area; and yet the Canadian Pacific and the Canadian National have not the right to do that. I think that through this company they should have that right.

Mr. BEAMENT: I suggest not. I suggest that if the Canadian National and the Canadian Pacific want to do it, either one of them could apply, but they should have to go to the Ontario highway transport board and get a public vehicle licence.

Mr. ROCK: I agree, but at the same time we have to give them the power in this charter to do so. I know that they will still come under provincial jurisdiction, but I believe that in this instance the word "buses" should not be removed.

Mr. BEAMENT: Well, I do not mind, at least the transportation commission, I am sure, does not mind, how many people get certificates of public necessity and convenience to operate from outside the limits of Ottawa into Ottawa, but, under that certificate they cannot drop and pick up passengers in the Ottawa area.

Mr. ROCK: I would not want them to do that, I would want them at least to have the power to operate a bus service of their own or to make arrangements towards that end. They should have that power to handle their tourists in the proper way. Let us say that certain schools charter so many cars. The Canadian National and the Canadian Pacific, through this projected company, could also transfer them on to their own bus service and take them on a guided tour around Ottawa.

Mr. BEAMENT: I doubt very much, with great respect, Mr. Chairman, whether that is a problem, but, if it did become a problem at some time and the railways, or one of them, felt that they were being ill-served, I can see

nothing to prevent them from getting a letters patent company incorporated in one of the provinces, which would then be subject to the clause to your own act and to their own motor vehicle transport act. Let them operate that type of subsidiary, which is not an essential element of a terminal, under the laws of the province in which they are running as a separate and public enterprise.

Mr. ROCK: Mr. Chairman, I would like to know what the two legal advisers of the Canadian National and the Canadian Pacific think of what I just said.

Mr. SPENCE: Well, speaking for the Canadian Pacific, Mr. Chairman, we feel that our primary interest is in carrying passengers by rail and we are very glad to have these tours of school children come to Ottawa. We think they are well served now, because when they arrive in Ottawa by rail, arrangements can be made by those tours to charter buses from the Ottawa Transportation Commission or one of the other carriers, and carry these children around Ottawa to their hearts' content. We do not feel that we would be filling any need by having a bus company of our own to do that because the facilities are already there.

Mr. ROCK: Then you have no objection to this word "buses" being removed?

Mr. MACDOUGALL: None whatever.

Mr. REGAN: Just one thing arises out of Mr. Caron's question. We do have someone here from the National Capital Commission, I think, Mr. Chairman. I don't think it is necessarily germane and probably isn't germane to this bill but I think that Mr. Caron has an excellent point. The National Capital Commission has recognized Hull as part of the area by acquisition of lands and parkways over there. At a time when they are moving the railway station further away from the citizens of Hull, if, as he suggests, that is going to mean they are going to have to pay two separate bus fares to get to the station as compared to one at the moment—if he is accurate in that—then, I certainly think that there is a responsibility on the National Capital Commission or some federal authority to look into the possibility of developing a system whereby you could transfer from the Hull public transportation system to the Ottawa public transportation system without paying a second fare. I think that that is owed to the people in the Hull area and I think it should be the concern of the National Capital Commission because, after all, it is their idea that this station be moved.

Mr. CARON: I think they should build a station outside of Hull and they should put a train on that line.

Mr. PETERS: This is an important question. I have the idea in mind that the capital commission is probably more involved than the railways. I would like to ask the Ottawa railway witness a question: You made this application to the government to have the government members remove this section from the bill. In doing this, did you provide the alternative that Mr. Caron asked for?

Mr. BEAMENT: Oh, no.

Mr. PETERS: Well, are you willing to do so?

Mr. BEAMENT: Oh, I can't answer that. That is a matter for the committee.

Mr. PETERS: Well, then, how can you really expect us to agree to this if we are eliminating a service, or a series of services, that are now being provided that will not be provided under these terms? I believe that the link between the railways on the Ontario and Quebec side, with the one exception, has been pretty well severed. This means that people being serviced by those railroads are at a great disadvantage. Now, it isn't unusual for a railroad to operate a bus service. The Ontario Northland Railway has operated buses for years.

Mr. BEAMENT: I am quite well aware that it is owned by the province of Ontario, but they do operate this bus service quite extensively.

Mr. PETERS: And I see no reason why the Canadian National and the Canadian Pacific shouldn't operate this, unless, as they say, they do not wish to do so but we, as members of parliament, are going to have to provide that link. If you are not prepared to provide it, then I think we have to insist that the railway or the capital commission provide it.

Mr. BEAMENT: I do not think, if I may say so, Mr. Chairman, that is a very fair question—that it is a very fair statement to say that if I am not prepared to provide it, others must. I don't know what the views of the transportation commission would be if the matter were put to them. It would obviously have to be put to them. It would be really a step towards a federal district or a national capital district transportation system.

Mr. PETERS: I have followed very carefully what you have said and I presume this is what the government had in mind originally in granting you a national charter?

Mr. BEAMENT: I don't think so.

Mr. PETERS: Did you not buy the Hull Electric Railway at one time?

Mr. BEAMENT: No, no, never. Historically, the Hull Electric Railway ran from Aylmer to Hull and so on and into, under the parking area beside the chateau. Their station was downstairs and I think you can still see the entrance to the station. Then they went out of business—I believe for economic reasons.

An hon. MEMBER: They were put out of business.

Mr. BEAMENT: They were put out of business. And I think they were a subsidiary of Gatineau Power but it was then that the Hull City Transport, an all-bus service, was incorporated. From time to time discussions have taken place between the Hull City Transport and the Ottawa Electric Railway; and then the transportation commission, because the Ottawa transportation system, by whomever it was authorized, recognized that they should run into Hull; Hull recognized that too, but they also recognized that comparable rights should be given to the local system in Hull to run into Ottawa.

Mr. PETERS: Well, Mr. Chairman, would the Ottawa Transportation Commission, in your opinion, be willing to give us an assurance that they would work out a reciprocal agreement with Hull Transportation Company so that Hull would have free access to this terminal for their bus line, and in return for this the Ottawa section would have free access to the Hull railway terminal.

Mr. BEAMENT: I think, Mr. Peters, that is a question that I am unable to answer. I am not dodging at all, but I want to put the point to you. The Ottawa Transportation Commission, unlike the Hull City Transport Company, is a publicly-owned operation. Under the law, as it exists at the present time, they get no financial assistance from anything except the fare boxes. Out of that they have not only to service poorly-organized debt, but also a very large debt to the city of Ottawa, and they have to do everything in relation to replacing their buses as they become obsolete or obsolescent, and generally, they are financially entirely on their own. The Hull City Transport on the other hand is a privately owned enterprise; and I am not suggesting what they would be prepared to do, I just simply, of course, do not know. They are absolutely independent.

Mr. PETERS: We have an obligation, I would think, as members of parliament, to limit as much as possible the displacement that is going to take place because of this change. All I am suggesting is that if you or the Hull Electric could give us some assurance that a reciprocal agreement would be

available which would allow one of these services to provide transportation, this might be satisfactory. Otherwise, I believe this is the responsibility of the railway. They will disagree, and so the railway will say it is the responsibility of the National Capital Commission for having made this change. Someone has to assume this responsibility; and we as members of parliament should have some obligation to ensure that, without extra charge, the people travelling on the east-west line going to points on the adjacent line in Hull will be able to make that connection at the least possible cost to themselves, or at least to have a facility provided even if the cost is not a consideration, don't you think?

Mr. ROCK: Well, Mr. Chairman, I think we are concerned with the services that were established between the railway stations that existed in Hull and Union Station here, which now is going to more or less disappear; and I think we should possibly add a subclause (*h*) which will give this newly-created railway company the power at least to establish transportation between this station and the new Hull station for their passengers by means of bus or taxis. At least they should get this power or concession. This is up to them, but they should have the power at least to operate some system where they can bring passengers from the central station which will be operated by this newly-created railway company to the new terminal they are going to build in Hull.

Mr. RYAN: Mr. Chairman, while I think this power should be here, I think it probably is already subclause in 10(*g*) where it says:

> establish and operate for hire in and about the city of Ottawa a service for the conveyance and transfer of goods and passengers by means of trucks, buses, cabs, or other highway vehicles—

The CHAIRMAN: This section has been amended.

Mr. ROCK: They are removing the words "buses" and "cabs".

Mr. BARNETT: Mr. Chairman, I find myself very much interested in the statement given by the representative of the Ottawa Transportation Commission. I am sorry I didn't catch his name. We got some very interesting background which reveals that probably we have here the only federally-chartered municipal transport system in Canada.

An hon. MEMBER: You mean a railway.

Another hon. MEMBER: It is a monopoly.

Mr. BARNETT: My personal recollection began to come in when he got to the bill of 1954 which had to do with interprovincial highway transport, but I would like to suggest, Mr. Chairman, that the amendment we have before us comes to the very nub of the question that was concerning at least a number of members of the committee when we began these discussions. This had to do with the implications of the removal of the existing Union Station from a central location to one nearer the periphery of the city. Now, to me, it is apparent that the original drafters of this bill—and I don't know who was responsible for it—had in mind that the terminal railway company should have the right to operate a complete system of services which would cover any changes that were caused by the proposed relocation of the station and the disbandonment of certain formerly existing railway lines. I think this proposed amendment is a very important question.

Quite frankly, if we pass the amendment as it is proposed, it seems to me that the terminal railway company, and indirectly behind that the C.P.R. and the C.N.R., will be placed in a position where they are completely at the mercy of local transportation companies or facilities as to whether or not they can provide an adequate service to their passengers. I was satisfied

with the clause as it is assuming that the terminal railway company would not go into providing facilities that were satisfactorily being provided by some other body.

I am not familiar in detail with the plans of operation of the Ottawa Transportation Commission but I think we are all aware that there is a pattern, because of changing circumstances, of reduction of the level of public transportation facilities in many places in this country, and this same development could take place in Canada.

I feel quite strongly that, particularly if we have to agree to the proposed relocation of the station and the matter of providing facilities to the general region, at least we should protect the right of the terminal railway company to provide these facilities failing some satisfactory arrangement with other operators.

The business of the federal charter or federal jurisdiction over the local transport system was something of which, I have to admit, I was completely unaware until we heard the statement this morning. If this can create some statutory complication as far as parliament is concerned, well, certainly, that is something we should take care of; but personally I don't think we should simply agree to eliminate the proposed words which, in effect, would make it impossible, as I read it, for the new proposed terminal railway company to accept a responsibility which obviously was on the minds of whoever originally proposed this draft bill. If we could incorporate some phrase which would give them the right, failing the ability to make suitable arrangements with other transportation agencies or something of that kind, it would satisfy me but I certainly think that we have a responsibility to protect the right of the railways to provide necessary daily services to their passengers.

If I buy a railway ticket in Port Alberni, which is the nearest station to my home to Ottawa, I expect that I am going to be able to arrive at a suitable destination in Ottawa. I think that if we are going to set up the mechanics for the C.N. and the C.P. jointly to operate this facility, we should at least protect their rights to ensure, and we should insist that they do ensure, suitable conveyances for their passengers—not only for goods. After all, people have some importance even though the products of commerce are important as well.

Mr. MACDOUGALL: Are you suggesting, Mr. Barnett, that they should provide suitable services to transport passengers within the area of the National Capital Commission. I am sure that is not done anywhere in the world.

An hon. MEMBER: It can be done.

The CHAIRMAN: You are suggesting that only as far as Hull is concerned?

An hon. MEMBER: It can be done.

Mr. BARNETT: Well, let us take a hypothetical situation. Mr. Caron knows more about the Hull situation than I do, obviously.

The CHAIRMAN: No, but I would like to know what you are trying to point out. Surely, you are not suggesting that any railway is supposed to transport passengers to what is suitable for a particular passenger.

An hon. MEMBER: To anywhere in the city of Ottawa.

Mr. BARNETT: No, no. I don't want to be misunderstood on this, but let's suppose that it was desirable that a link by bus be provided between this proposed new terminal station and the terminal in Hull. I think that the terminal railway company should be able to establish a direct-route service of that kind. For example, if the present Union station is eliminated there should be the right to deposit passengers from a train at a point somewhere close to where the present railway station is.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I have to leave and I was wondering if the committee would be agreeable to setting aside this particular subsection in section 19 because I want to have the opportunity of examining Mr. Macdougall in particular upon the evidence that was given to the Senate and also the evidence that I was given and I hope more of it will be given by Mr. Gazdik of the Canadian Trucking Association. I hate to do this but I have to go and I have been waiting all morning to—

The CHAIRMAN: On paragraph (*g*)?

Mr. FISHER: Yes. You see paragraph (*g*) relates to section 19 and there is a constitutional argument involved here that is quite long and complex and I think it will take a great deal of time. I think hon. members, if they review what took place before the Senate committee, will see this. All I am asking for in a sense is that this be put over to another meeting. Now, I assume that there will be enough in the present discussion and in the other sections to keep you going for the rest of the day.

Mr. REGAN: Do we sit this afternoon?

The CHAIRMAN: No.

Mr. ROCK: You have no objection to my proceeding.

Mr. REGAN: If we are going to sit this afternoon, or if we could sit this afternoon, it seems to me that we would be accommodating the trucking people who have had their representatives and their lawyer here from some distance three days in a row. If we were to sit this afternoon, perhaps Mr. Fisher could be here at that time.

Mr. FISHER: No, I can't.

The CHAIRMAN: It has been agreed that we don't sit this afternoon.

Mr. FISHER: I cannot be here this afternoon. In any case, I understand that this will be left over for the next meeting.

The CHAIRMAN: One moment, please. I was going to make the suggestion that we go ahead with the amendment which has been suggested, and leave out the question of trucks. We could pass the section subject to the trucking aspect.

Mr. CARON: So we all accept that we can discuss this section?

The CHAIRMAN: Discuss it.

(*Translation*)

Mr. BEAULÉ: I have a question to ask regarding subsection (*g*) in connection with a question asked by Mr. Peters concerning passengers coming from the West who have to go to the north shore of the Ottawa towards Montebello and Lachute. Is it the intention of the railway companies, the Canadian Pacific in particular, to discontinue the passenger service line Ottawa-Montreal via Lachute?

(*Text*)

Mr. MACDOUGALL: Mr. Chairman, there was a proposal this last September to discontinue some of the trains on that line but not to discontinue the whole passenger service. There were still to be trains operating. Now, there were protests over the proposed discontinuance of the trains that had been suggested and the board of transport commissioners directed us to continue those trains in operation until such time as it could hold a public hearing and decide whether the discontinuance of those particular trains should be permitted or not.

(*Translation*)

Mr. BEAULÉ: Mr. Chairman, I have not finished. Assuming that these lines will be discontinued, how would you carry passengers coming from the

West who get off at Ottawa, with regard to that portion in the province of Quebec. Let us assume a passenger wishes to go to Montebello or Lachute, will there be a passenger service in such a case, if we omit the words "buses" or "cabs"?

The CHAIRMAN: This is not part of the bill.

Mr. BEAULÉ: Mr. Chairman, that is part of the bill.

The CHAIRMAN: If there was no railway on the other shore, there would have been no relation to the bill. But there is actually one if you insist on establishing a connection.

Mr. BEAULÉ: If some passengers get off at Ottawa and wish to go to Montebello or to Lachute, how would the railway company carry those passengers to Lachute if the passenger-service on the north shore is discontinued?

The CHAIRMAN: They would have no service.

(*Text*)

Mr. ROCK: Mr. Chairman, I intend to make another—

The CHAIRMAN: One moment please, Mr. Rock. I want to let Mr. Beaulé finish and then Mr. Barnett hasn't finished his remarks.

Mr. MACDOUGALL: Well, the only answer I can give is that the passenger service is not being discontinued. That is not the proposal. The proposal was only to take off some trains that were not being adequately patronized but there will still be passenger trains running on the north shore if the board grants us the proposal that we have made. It is not to take off the whole passenger service but only to take off those trains that have not been adequately patronized.

(*Translation*)

Mr. BEAULÉ: Now, will the time table be arranged so as not to allow a long delay from the time the passengers get off in Ottawa to the time they take the train for Lachute?

(*Text*)

Mr. MACDOUGALL: Well, it is impossible for me to say what the time table arrangements will be in the future if the board grants our proposal. That is a matter that has to be discussed and worked out by our passenger and operating people at the time to give the most convenient service available. I cannot say now what the schedule may be at some time in the future, if the board grants our application.

(*Translation*)

Mr. CARON: Has not Mr. Crump stated that he intended to get rid of the passenger service?

(*Text*)

Mr. MACDOUGALL: I do not think Mr. Crump said that he intended to get rid of the passenger service. I think all that Mr. Crump said was that we were faced with decline in patronage in the passenger service and the time might come eventually when the passenger service would disappear.

(*Translation*)

Mr. CARON: If I remember well it seems to me he said he eventually wanted to get rid of the passenger service which was uneconomic. However, with regard to the service Ottawa-Montreal, via Montebello and Lachute of which the Board of Transport have accepted to discontinue the present service, will there be only one morning train to Montreal and one evening train back from Montreal.

(*Text*)

Mr. MACDOUGALL: I am not entirely clear as to what the train schedule was that was proposed—I can't say without having it before me exactly when those remaining trains were to operate but I don't know that I can go any further than that at the moment. Certainly, the trains that will remain will, we will attempt to operate at the times when the demand is greatest for them and when they will be attracting their greatest number of passengers.

(*Translation*)

Mr. CARON: Doesn't the Canadian Pacific act the same way with regard to the service to Maniwaki and that to Pontiac? It started by discontinuing one train and then cut them all?

Mr. BEAULÉ: That is the policy.

Mr. CARON: And then, they let us down.

Mr. BEAULÉ: Mr. Chairman, on a point of order. In this connection, we want to have the assurance that passengers residing on that line will continue to enjoy the service when they get off at Ottawa and wish to go to Lachute. If we accept the bill, we do not have the assurance and then, no purpose will be served in discussing this project. We want to have the assurance that those people will get, one way or another, the railway service if the project must end up there.

The CHAIRMAN: Mr. Beaulé, you know very well that, even if this bill is not passed, nothing would prevent discontinuing the passenger service Ottawa-Montreal or any other one in Canada. The bill under examination cannot establish a service.

Mr. BEAULÉ: We can establish a service and we have the authority to do it.

(*Text*)

The CHAIRMAN: Mr. Barnett.

Mr. BARNETT: Mr. Chairman, I think it should be clear that the point I was leading up to was that I feel the proposed amendment involves a rather important change in the concept of this bill as it was originally drafted. Now, quite frankly, I am not satisfied with the explanations we have had so far with respect to the bringing forward of this amendment. All I have heard so far from the witnesses that are before the committee was that there appeared to be some conflict in this bill with some existing statutory provisions that affect the Ottawa Transportation Commission. We have the statement from the counsel of the railways that they do not wish to become involved in any controversy with the transport commission, but certainly I would suggest that surely this provision was not thrown into this bill originally for no good reason at all.

Now, I do not know whether this is a matter which the counsel for the commission or the railway should deal with directly, but certainly I would want to be assured that there was something more than purely statutory grounds or something more than a desire on the part of the railways to avoid becoming involved in an unnecessary conflict with the local transportation commission before I could agree that this was a desirable amendment. It seems to me that, as it is drafted, it would give the Terminal Railway Company a right or a power which I think properly should belong to it to ensure that the terminal facilities in this area are properly planned. In other words, failing any other suitable arrangements by the terminal railways, in the interest of the passengers of the two railways that are participating, they should have a right to assure that such facilities are, in effect, provided either directly or indirectly.

Now, if we pass this amendment, in effect, we are placing the railway companies at the mercy of local transportation companies. I am not saying this in any way to be derogatory to the operation of the transportation commission but the transportation commission, I assume, is largely under the policy direction of the city of Ottawa. I may be wrong in that but it is in effect a municipal service and, supposing it decided to wind up, where would that leave the railway companies if we pass this amendment?

Now, this may be purely hypothetical but, in view of what some of us observed as to what is going on in various other parts of the country in connection with the facilities, and in view of the discontinuance of various passenger runs, we know that in other areas the railways have apparently had the right to enter into suitable arrangements for the transport of passengers. For example, if I want to travel from Port Alberni, the railway company can sell me a ticket which is good on the Vancouver island coach lines to their nearest point of the operation of the railway passenger train.

I want to be sure that this Terminal Railway Company has at least the right to ensure that the necessary linking facilities and the necessary facilities for the delivery of their passengers to a point of their reasonable conveniences are included in the powers granted under this bill.

The CHAIRMAN: When you are talking about reasonable conveniences, Mr. Barnett, you are talking about terminals—from one terminal to the other—from Hull to Ottawa, are you not?

Mr. BARNETT: Well, or alternatively in my view, if we are going to move the terminal station, as it is proposed, I feel the railway companies have some responsibilities to at least have the right to preserve the service to their passengers that they are presently providing. Now, this, I think, you will realize, Mr. Chairman, was one of the points that we discussed earlier and one of the points which we have not really decided yet and I think this amendment is very pertinent to this.

The CHAIRMAN: I was going to ask—

Mr. BARNETT: Whether we should have the Minister of Transport come before us—he introduced the bill in the House of Commons on behalf of the government—to tell us whether this amendment meets with their provisions or discuss with him whether we could resolve this statutory conflict in outline, I don't know, but I am not trying to put the counsel for the transportation commission or the railways on the spot in a way which may be beyond their knowledge or their authority; but failing some answers from them on this point, I think we perhaps should consider who can give us this answer, whether it is the National Capital Commission or perhaps the Minister.

The CHAIRMAN: I was going to ask Mr. Spence—following your question a while ago—how this section got into this bill. What was the purpose of including buses, et cetera?

Mr. K. D. M. SPENCE (*Counsel for Canadian Pacific Railway*): Well, I think, Mr. Chairman, that, as Mr. Macdougall said at the outset, this bill was drafted along the lines of other bills. For instance, the Toronto Terminal Railway Company Act of 1906 contains a provision that the company may establish and operate for hire a service for the conveyance and transfer of passengers and baggage by means of omnibuses, cabs or other road conveyances. Now, in actual fact, that clause in the Toronto Terminal Railway Company bill has never been put into use. I think that was just imported into the draft of this bill because it was in the old bill and the Toronto terminals bill was being followed as a precedent but—

Mr. PETERS: Do you not now police, in the Toronto terminal, the taxi services being provided?

Mr. SPENCE: Yes, oh, yes.

Mr. PETERS: You really are operating and using this section?

Mr. SPENCE: Well, we are not providing this service ourselves.

Mr. PETERS: No, but you are policing it?

Mr. SPENCE: I think that for a while we did grant a concession to one taxi company to the Toronto terminal's area. Then I think that that was cancelled and all taxis were allowed to come freely. Of course, all taxis can come and deliver passengers through the Toronto terminal to the Union station.

Mr. PETERS: Outside?

Mr. SPENCE: Outside taxis can come to the station to deliver passengers but, for picking up passengers, for a time we had a contract with one taxi company and then I think that was cancelled and it was left wide open.

Mr. PETERS: So really this section has operated?

Mr. SPENCE: No, it was not under that section, because that was only a matter of making a contract with other companies to perform the service.

Mr. PETERS: But you only had the right to make that because of this clause?

Mr. SPENCE: No, I don't think so. We, I think, the Toronto terminals had the right to make contracts to limit the access to the station of the taxi companies but this clause, as it stands—

Mr. PETERS: Well, on that point, is it not true that the licence of taxi companies would allow any one of them equal rights—the right to your terminal is your decision?

Mr. SPENCE: Yes.

Mr. PETERS: The licensing was done by the city of Toronto actually?

Mr. SPENCE: Oh, yes.

Mr. PETERS: So you really made the decision on who would come and who would not come. You say you let them all come. Well, it was under this clause, was it not?

Mr. SPENCE: No, my understanding of this clause is that it empowers the company to go into the business itself of carrying the passengers around the city. It is not just to empower it to make contracts with taxi companies on this basis.

May I point out that the Canadian Pacific Railway Company itself does not have the power under its charter to enter into a passenger business on the highway and, when we want to have our passengers carried on the highway, we make a contract with one of the local carriers and that works out very satisfactorily.

I think this subclause (g) as it was drafted would probably go beyond that power and give the terminal company the power to go into the passenger business on the streets of Ottawa itself and, when we realized that was really more than one of the parent companies had at any rate, we did not insist on it. We would be quite satisfied in the city of Ottawa and the city of Hull to leave that to the local transportation companies and if it is necessary to transport passengers from the terminal in Ottawa across to Hull, it is possible that we may be able to make a contract with one of the local carriers to do that.

Mr. PETERS: Under what clause?

Mr. SPENCE: That is just what Mr. Macdougall and I were looking for. Where is the clause in here that would empower us to make a contract of that kind?

Mr. ROCK: This is what I was getting at, Mr. Chairman, that if we adopt the clause as amended, as suggested by Mr. Cantin, and then make another

subclause (h) and then we would remove the words "in and about the city of Ottawa" and replace that by "between their Ottawa terminal and the railway station or stations in the city of Hull", and that would give them the power—if they want to—to maintain some sort of a service to transfer passengers and everything else from the central terminus of Ottawa to any of the stations that are established or will be established in Hull.

Mr. BEAMENT: Mr. Chairman, might I add that, in view of this discussion, to my evidence as given up to this point?

Mr. ROCK: Mind you, they can hire, they can do what they want, but as long as they have the power to establish a service—

Mr. BEAMENT: As Mr. Barnett said, the railways sell transportation on bus lines but that is really interurban bus lines and we, of course, are not touching that at all. Of course, if the railways want to set up a ticket agency with the transportation commission, I don't think the transportation commission would have any objection, but this is not purely a constitutional problem.

An hon. MEMBER: This is interprovincial.

Mr. BEAMENT: I have to go into the constitutional aspects of the thing to show that the clause as it presently reads, gives to these railways the power to do local transportation—as Mr. Spence has pointed out—unrestrictedly, and to a much greater extent than the agency which has now been set up to do it. I think it is perhaps unrealistic to talk about the railway selling its assets and going out of business. If it did, the government of Canada would be very much embarrassed indeed because our biggest source of passenger traffic is carrying employees of the government of Canada to work and away from work and in and about their general business in the city.

The question of transfer between the two stations is a completely different matter. It does not involve the picking up and discharge of passengers within the limits of the city of Ottawa and for that reason I do not think the transportation commission could have any possible objection to this railway, as it has been suggested by someone to this terminal company having the power to enter into an arrangement for what I call a shuttle service between its station in Ottawa and its station in Hull.

Now, I would think—and now please, I am not committing the commission; I can't commit the commission—that the commission would be interested in quoting on such a service. They have so many buses and such a large organization that they would probably be in a position to meet it with a great deal more flexibility than a person, who was doing nothing but that, would be able to do it. That, of course, would involve the consent of the authority—municipal or provincial—in Quebec. We at the present time have a consent to run on a limited portion of the streets of Hull for the purpose of providing terminus facilities in the city of Hull. We have never sought to extend our rights, and I think we have perhaps taken the view that we would be in conflict with the Hull City Transport Company's legitimate rights if we tried to extend our services beyond the convenient terminus in the city of Hull.

Any terminus we may have in the city of Hull is obviously going to be more convenient to some people than it is to others. That is inherent in the problem, and the same problem arises with the Hull City Transport people. If they have a terminus in Ottawa, it is going to be more satisfactory and more convenient to some people than it is to others. But it would seem to me that if the local transportation companies cannot of their own free will provide the necessary facilities, there would be no objection to putting in a subclause (h), as has been suggested, empowering the terminal company to

make such arrangements for the transportation of passengers between its two terminals—the one in Hull and the one in Ottawa—as it cared to, and even operating it themselves. The thing that we are inveighing against is the statutory powers of the terminal railway to pick up and discharge passengers and run a competing domestic municipal transportation system in Ottawa.

The CHAIRMAN: Mr. Barnett.

Mr. BARNETT: I would like to pursue this point. I don't imagine any member of this committee would wish to see the railway company in a position to go into direct competition with the Ottawa Transportation Commission, but I think we are aware of the fact that under this general plan—as I understand it—the present Union Station is to be abandoned; the old stopping point in Ottawa West will disappear; and the question of an interlink with the city of Hull has been brought into the picture.

In the absence of the ability to work out a satisfactory arrangement with some other agency, such as the Transportation Commission I would like to see the terminal railway company have the right to operate what I would call "express buses". If they are going to move the station out, they should have the right to run express buses to such points as might be deemed suitable and advisable, whether it be to the old station or to the Ottawa West station, directly from the railway terminus as an extension, in effect, of the railway, at least in the manner in which they have been able to provide service for passengers before.

If we can work out something which meets that purpose and at the same time make it clear that this bill would not—as I agree it presently does—indicate that they could if they wish, compete directly with the Transportation Commission, that would be more satisfactory than the present amendment, which I think goes to the other extreme, if I may put it that way.

The CHAIRMAN: Mr. Pogue is here from the Canadian Pacific Railway. He is a special representative who is familiar with the passenger traffic and the whole problem, and I thought maybe we should have called him before as a witness to express his views on this problem.

Mr. GEORGE D. POGUE (*Special Assistant, Passenger Traffic Division, Canadian Pacific Railway*): Perhaps I might use the chart.

The CHAIRMAN: Oh, yes, of course.

Mr. POGUE: There appears to be some confusion about our passenger traffic to and from Hull after the terminal railway takes over. At the present time, Canadian Pacific crosses on two bridges. One is the Interprovincial Bridge and the other is the Prince of Wales Bridge in Ottawa West. The passenger trains use both bridges. The bridge at Ottawa West will not disappear. Therefore, the passenger coming in from the west going to Lachute will come in on our No. 8 train in the morning to the new station. Then the Lachute train will leave from the new station and go via the other route across this bridge to Lachute.

Mr. BEAULÉ: There is a train?

Mr. POGUE: Yes, there is a train. So there is a connection between Lachute station and the Ottawa station, and the trains going to Montreal on the Lachute subdivision will leave from the new station. So, as I see it, the only inconvenience to Hull residents of the change in location of their station is that they will have to take two buses if they are going to the new station, rather than one. But, as you know, one is nearly always carrying a suitcase or a club bag and is therefore more inclined to go by road which brings us in on the new MacDonald-Cartier Bridge right into the new station.

Mr. CARON: How much would it cost by taxi?

Mr. POGUE: I don't know. But I wanted to point out clearly that Lachute is receiving the same service as the Ottawa Union station is receiving now.

Mr. CARON: Up to now, but we have no assurance from the C.P.R. that it is going to continue.

Mr. POGUE: Well, that is something the Board of Transport would rule on.

(Translation)

Mr. BEAULÉ: Could I ask the witness if he can give us the assurance that, in five years, we shall still have the same service between Ottawa and Lachute? That is what we want to know.

(Text)

The CHAIRMAN: Mr. Beaulé wants to know if you can guarantee five years' service to Montreal and if the North Shore will be continued.

Mr. BEAULÉ: We don't speak for today; we are speaking for the future.

Mr. POGUE: I would suggest that the Board of Transport Commissioners protect—

Mr. ROCK: Too bad, Mr. Chairman, that we didn't have this gentleman with us earlier. We would have saved a lot of time.

Mr. TARDIF: If this clause is not going to be passed today, I would suggest that we adjourn.

The CHAIRMAN: No, we are getting to the point now.

Mr. TARDIF: Maybe you won't adjourn, Mr. Chairman, but I'll adjourn.

Some hon. MEMBERS: There is no quorum.

The CHAIRMAN: Order.

Mr. TARDIF: We wasted all morning talking about things that were not relevant to the bill that is in front of the committee.

The CHAIRMAN: I would not say that at all. That is a reflection on other members of the committee.

An hon. MEMBER: What is the quorum, Mr. Chairman?

The CHAIRMAN: Twelve. We have a quorum.

I think it is agreed, gentlemen, that the amendment is satisfactory because it takes the railways away from the business of transporting people by bus or otherwise within the limits of the city of Ottawa.

Mr. CARON: We promised we would not vote for that though. We promised we would not vote for that today.

The CHAIRMAN: I am trying to get the discussion now to the next point. Is there going to be any suggestion made or any amendment suggested—

Mr. ROCK: Well, no. Actually, now we have an explanation given by the gentlemen, and I wish they had given the explanation about two hours ago so we would not have gone through all this turmoil.

Mr. BEAULÉ: Suppose they get rid of the trains.

Mr. ROCK: Well, that is something else. If they get rid of the trains, you are not going to have any service going to any station anyway, so this is something else.

Mr. BARNETT: Mr. Chairman, in spite of the fact that the proposed mover of the amendment thinks he has had everything explained, I must say that I have not. I still think that something along the lines of the amendment that he had in mind is desirable. As I said, I think the proposed amendment goes from one extreme to the other.

I feel very strongly that there should be some provision in this bill which will clearly enable the Terminal Railway Company, on behalf of the other railways, to ensure that suitable facilities are operative. Now if we take this reference to passengers, buses, et cetera, completely out of this section—and

I don't see where they have that power—in effect we're putting the railways' passengers completely at the mercy of such local facilities as may from time to time in the future be available.

The CHAIRMAN: Have you an amendment to suggest so that we may proceed?

Mr. BARNETT: Quite frankly, my view is that, in view of the question that was raised about the existing federal statute in connection with the transportation committee, I would like to see someone who has legal and drafting knowledge seek to bring about a modification of the proposed amendment which will meet the point that I have in mind. I don't feel that I myself—

Mr. ROCK: No, but what I suggested before—

Mr. BARNETT: —have the background or the knowledge to draft an amendment which would cover the points, except that I think something along the lines that have been proposed might—

Mr. ROCK: I have no objection. It doesn't do any harm to have it embodied in this bill. They don't have to act on it, if they have suitable service; but if they don't have suitable service, sometimes they could act on it. So there is nothing wrong with having it—

The CHAIRMAN: Mr. Millar.

Mr. MILLAR: My question would be to the representative of the proposed terminal railroad. What do they propose to do toward transporting the passengers from the new station to the downtown area of Ottawa? What provision is made to take care of those people?

Mr. MACDOUGALL: The normal provisions would apply here as applies in any city of Canada. The people would come in and the facilities would be there, either by public bus transportation or by taxi, or if they are close enough to their destination, they may walk, or they will be picked up by a private car, the same as they do in any station in Canada.

Mr. MILLAR: In other words, the terminal railroad is not accepting any responsibility for the transportation of their passengers from the new station to the downtown areas? Is that what you are saying?

Mr. MACDOUGALL: Well, we don't accept that responsibility anywhere in the country. We provide—

Mr. MILLAR: Except that in most cases your terminal is in the centre of the metropolitan area.

Mr. MACDOUGALL: As was explained, I think, at the last meeting, with the new station, and the changes that have taken place in the last few years with the movement of various government departments out from the—what you might call this present place of sitting as the centre of the city—to areas that are closer to the area of the new station, we feel that the sort of centre of gravity has been changing so that this new station will be fairly well in the centre of things for the passengers, as we know them, who are travelling on our railways coming to and from Ottawa. The highway facilities that will be afforded by the Queensway and other connecting highways will, from a time point-of-view, enable people to get, we think, more easily and more quickly, in many cases, to and from the new station.

Mr. RYAN: I am in sympathy with Mr. Barnett's argument. I think the power should be in the bill to permit the company to establish a shuttle service, not only to a Hull terminal but to any other terminals that are in the vicinity of the city of Ottawa. I would like to suggest this amendment for the committee's consideration between now and our next meeting. It is an amendment to add sub-clause (*h*) to clause 10 which would read:

> (*h*) Establish and operate for hire in and about the city of Ottawa a service to and from the company's terminals and the vicinity of the

city of Ottawa for the conveyance and transfer of passengers by means of buses, cabs or other highway vehicles or other means of conveyance and to acquire, hold, guarantee, pledge and dispose of shares in any company, having for one of its objects the establishment or operation of such a service.

Mr. ROCK: You did not mention Hull at all in that.

Mr. RYAN: It could be Hull or it could be one of the neighbouring terminals in the vicinity of the city of Ottawa. I don't see why it should be limited to Hull alone.

Mr. ROCK: But you don't even mention Hull so when it is in Ottawa you are not even giving a shuttle service to Hull.

Mr. RYAN: I am not suggesting that it be given to anybody at all. I am just saying the power should be there.

The CHAIRMAN: Order. We have no quorum. I would ask Mr. Ryan to draft his amendment for the next meeting. It would be a good thing if he would distribute it to the members before next Tuesday so that we might be familiar with it. Also to let the clerk of the committee have a copy so that it may be distributed to the parties interested.

Mr. RYAN: I will, Mr. Chairman. I may change that from the vicinity of Ottawa to the national capital area.

(*Translation*)

Mr. BEAULÉ: Shall we have, before next Tuesday, the copies in French of the figures we were given this morning, to study them.

(*Text*)

The CHAIRMAN: It is agreed that the National Capital Commission will have the French version of the statement that they gave us this morning.

Thank you, gentlemen.

—The committee adjourned.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

TUESDAY, DECEMBER 8, 1964

Respecting

BILL S-33—An Act to incorporate the Ottawa Terminal Railway Company.

WITNESSES:

From the Canadian National Railways: Mr. James A. MacDonald, Vice-President, St. Lawrence Region. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Canadian Trucking Association:* Mr. Julian Gazdik, Counsel, and Mr. John A. D. Magee, Executive Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1964

21242—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Armstrong
Balcer
Barnett
Basford
Beaulé
Béchard
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Caron
Cooper
Cowan
Crossman
Crouse
Éthier
Fisher
Francis
Godin
Granger
Greene
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Irvine
Kennedy
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Macdonald
MacEwan
Mackasey
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Peters
Pugh
Rapp
Regan
Rhéaume
Rock
Ryan
Southam
Stenson
Tardif
Tucker—60

(Quorum 12)

D. E. Lévesque,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, December 8, 1964.
(9)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11:05 a.m. The Chairman, Mr. J. T. Richard, presided.

Members present:—Messrs. Barnett, Beaulé, Béchard, Cantin, Caron, Cooper, Cowan, Fisher, Francis, Granger, Greene, Hahn, Howe (*Wellington-Huron*), Korchinski, Leblanc, Lessard (*Saint-Henri*), Macdonald, MacEwan, Mackasey, Matte, McBain, Millar, Mitchell, Peters, Regan, Richard, Rock, Ryan and Stenson (29).

Witnesses:—From the Canadian National Railways: Mr. James A. MacDonald, Vice-President, St. Lawrence Region. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel, and Mr. George Pogue. *From the Canadian Trucking Association:* Mr. Julian Gazdik, Counsel, and Mr. John A. D. Magee, Executive Secretary.

In attendance:—From the National Capital Commission: Lt. Gen. S. F. Clark, Chairman; Mr. D. L. Macdonald, Railway Commissioner. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Ottawa Transportation Commission:* Mr. A. W. Beament, Q.C. *From the Department of Transport:* Mr. Jacques Fortier, Legal Counsel.

The Committee resumed discussion of Bill S-33, An Act to incorporate The Ottawa Terminal Railway Company.

The Chairman asked that the railways be given an opportunity to describe the extent of the facilities and functions of the proposed terminal company as seen from the point of view of the railways, in order to clarify several points already raised.

It was agreed that Mr. Gazdik be permitted to quote from Bills 351 and Y-9, copies of extracts were distributed to the members.

At 1:00 o'clock p.m. the questioning of the witnesses continuing, the Chairman adjourned the Committee to 3:30 p.m. this day.

AFTERNOON SITTING

(10)

The Committee reconvened at 4:10 o'clock p.m. Mr. Richard presiding.

Members present:—Messrs. Barnett, Cantin, Caron, Crossman, Fisher, Granger, Greene, Hahn, Irvine, Leblanc, Lessard (*Saint-Henri*), Macdonald, MacEwan, Matte, Millar, Peters, Regan, Richard, Rock, Ryan, Stenson and Tucker (22).

Witnesses:—From the Canadian Truckers Association: Mr. Julian Gazdik, Counsel and Mr. John A. D. Magee, Executive Secretary. *From the Canadian National Railways:* Mr. J. W. G. Macdougall, Q.C., Solicitor General. *From the Canadian Pacific Railway:* Mr. K. D. M. Spence, Commission Counsel.

21242—1½

In attendance: Same as at morning sitting.

At 5:40 o'clock p.m. the examination of the witnesses continuing, Mr. Caron moved the adjournment to Tuesday, December 15, 1964.

D. E. Levesque,
Clerk of the Committee.

Note—The evidence adduced in both languages, at the morning sitting as well as that adduced in French at the afternoon sitting printed in this issue, was recorded by an electronic apparatus, pursuant to a recommendation contained in the Seventh Report of the Special Committee on Procedure and Organization, presented and concurred in, on May 20, 1964.

EVIDENCE

TUESDAY, December 8, 1964.

(*Text*)

The CHAIRMAN: Order, gentlemen. I see a quorum.

During our last session it was suggested that much time could have been saved if an explanation of the operation of passenger trains into the proposed station had been given earlier. It is a fact that to date we have not been given a description of the extent and functions of the proposed terminal company as seen from the point of view of the railways.

It may be that such a description will clarify several points that have already been raised and help to resolve some of the remaining issues.

I have therefore asked the railway representatives, Mr. MacDonald and Mr. Pogue, and the counsel if they could make such a presentation. Canadian National Railway has a convenient photomontage which they feel will give perspective to the plan.

If the members are agreed, I propose to ask the railways to make such a description. This will not be a long procedure and will be a timesaver, I hope. After this we can proceed to review the bill.

In view of the fact that we have had counsel for the trucking association present at these meetings for some time, I propose we should look into the matter of the trucking operation right after this presentation. I would ask the members to allow the witnesses to finish their presentation so we may have a full outline of the plan before proceeding.

Mr. MacDonald is vice president of Canadian National Railways and I will ask him to make a statement.

Mr. J. A. MACDONALD (*Vice President, St. Lawrence Region, Canadian National Railways*): With your permission I will use the visual aid which you see here and which is one that was prepared for our own use. You will find it is labelled "Railway Relocation Plan", but the committee need not be reminded I am sure that it is a plan for redevelopment of the national capital to which the railways have been asked to conform under terms set out in the memorandum of agreement attached as a schedule to this bill.

The railways and the industries they serve are being removed from the central areas of Ottawa and concentrated in the southwest sector of the city, as General Clark explained earlier. In the process the main line mileage of the two railways is being reduced from about 62 miles to approximately 32 miles.

As a practical matter, these changes call for the formation of a joint terminal railway which will perform, on behalf of Canadian National Railways and the Canadian Pacific Railway, the switching service required by industry, and operate the new passenger station which is to replace the present Union station.

These are the sole activities presently contemplated for the proposed terminal company; that is, to do the switching from a common yard at Walkley and to operate the passenger station in the Hurdman area.

Canadian National Railways and Canadian Pacific Railway will continue to be competitive in all aspects of freight sales and solicitation, as to routing, for example; we will be separate, of course, entirely as to revenues derived from freight or passenger services. We will each operate independently our separately owned new freight and express facilities in the Hurdman area. We

will continue to be competitive in the passenger business; in fact, the ticket sellers in the new station will be employees of Canadian National Railways and Canadian Pacific Railway respectively, as indeed they are now.

This photomontage begins with an aerial photograph of the Ottawa area. Over that we have superimposed three transparencies on which we have pasted certain diagrams. The first indicates the railway lines as existing before any changes were made whatsoever in respect of the National Capital Commission plan. The red lines indicate Canadian National lines, and the blue indicate Canadian Pacific lines.

Mr. BEAULÉ: As they exist now?

Mr. MACDONALD: These lines existed originally and in some respects there have been abandonments, and I am coming to those now.

The next overlay shows what abandonments have been made or are contemplated as part of the scheme. For easy reference we have cross-hatched in red the line abandonments to be made by Canadian National Railways and in blue by a Canadian Pacific Railway. So you will see what part of the rail line systems survive under the new scheme and what part of the lines is to be abandoned.

Again, you will see the central feature of the removal of these lines from the crosstown and downtown area.

On the third overlay we have shown two things. First of all, we have shown in green the lines to be constructed by the National Capital Commission as part of this whole arrangement and, outlined in yellow, we have shown the limits of the terminal company as defined in the memorandum of agreement.

You will see that essentially the commission's construction has provided for the new yard at Walkley, the new Union station, and the Hurdman area, and not far from it the separate express freight facilities or merchandising terminals, as they are also called, and for the rest by and large the green lines represent linking up of existing rail lines by means of connections and the like.

You will see also that a green line runs up the length of the Prescott subdivision indicating that that line is to be tunnelled and/or depressed throughout part of its length.

May I say just a word about the limits—as shown in yellow—of the terminal? These are not railway lines but they define the area within which the terminal company itself will service industry, so that any industry located on trackage served from the lines outlined within the boundary will be jointly served by Canadian National Railways and the Canadian Pacific Railway, and the traffic can be solicited by either company.

You will notice that the yellow line about which I am talking does not cross the river because there are no changes on the Hull side that involve both railways. This is only another way of saying that Canadian National does not have any trackage or facilities on that side although we do operate a pickup and delivery service for express and freight across the river from Ottawa.

So far as Canadian National is concerned, there will be no change in the service or in our competitive position vis-à-vis industry on the Hull side.

On the map we might also point out the relocation of the downtown lines and the kind of facilities that took their place.

Essentially, our Bank street and Elgin street yards have been replaced by the Walkley yard, and in the same fashion Canadian Pacific's operating yard at Broad street and Ottawa West yard will in due course be replaced by Walkley yard. Again, the station is to be removed from its present location to Hurdman, and these two changes constitute the basic reasons for the formation of the terminal company.

You will notice on this map the simplification of the railway operations that is a by-product of this whole scheme. Canadian National now have a

through terminal with respect to passenger operations, something we have not had before. I will ask Mr. Huneault if he will trace the route of the passenger trains as they operated before and as they will operate when the scheme is fully in effect.

Mr. J. F. M. HUNEAULT (*Assistant Vice President St. Lawrence Region, Canadian National Railways*): Canadian National trains now come in on the Alexandria subdivision and run into Union station, heading in. The trains then have to back out of the station so they can back into the Beachburg subdivision, heading west. In the reverse direction, trains coming from the west head into Alexandria subdivision and back into the station. They can pull out later on for Montreal along the Alexandria subdivision.

Under the proposed scheme, all trains would operate through. They will come in on the Alexandria subdivision, use new trackage supplied by the National Capital Commission, stop at the station and then carry on along to the Beachburg subdivision to the west.

Movement in the reverse direction would be through as well, coming west along to Beachburg through the station, carrying on to Alexandria subdivision.

Mr. J. MACDONALD: There is one other feature of the plan which can be shown on the map. It is the concentration of industry and areas specifically zoned for them; that is particularly so in the Belfast road area, in the Walkley road area and in the Sheffield road area.

Mr. Chairman, there are some other general observations I might make which could be helpful to the committee pertaining to the nature of the agreement. I am speaking only of the general principle.

The basic principle on which the three-party agreement was founded is that the railways were to be made whole wherever possible by replacement of facilities in kind. That principle found application in several ways, first where the new facilities were to continue in joint use, as for example the Walkley yard and the lines that connect it, and the new station. Secondly, they replaced in kind where new facilities were to be used exclusively by Canadian National Railways or Canadian Pacific Railway, and in that instance we have the merchandising terminals that I have already mentioned, and also a telecommunications building.

Thirdly, the railway facilities that are in use and are to continue in use were transferred to the terminal company or are to be transferred. Canadian National, for example, will put in the Beachburg subdivision— as Mr. Huneault will illustrate—and the Alexandria subdivision. Canadian Pacific will put in the Prescott subdivision and a portion of the Montreal and Ottawa subdivisions. As you are aware, Canadian National and Canadian Pacific will jointly own the terminal company which holds these assets.

Fourthly—and this is the only other major principle involved in this whole agreement—because Canadian National surrendered more property and facilities to the National Capital Commission and the terminal company than did Canadian Pacific, there is a further transaction required to make Canadian National whole. It takes the form of a cash payment from the National Capital Commission amounting in round figures to $5½ million.

For all these foregoing purposes the values were determined in the case of land by appraised market value, and in the case of facilities as replacement cost minus depreciation.

The arrangements I have just described to you are the substance of the memorandum of agreement.

The bill aims at creating a terminal company with power to do these things. Of the bargain itself I can say, as the officer responsible for negotiations, that Canadian National has full value and we are satisfied in the circumstances that we have a good deal.

As a final comment I would like to stress that for the foreseeable future, and unless circumstances change very substantially, Canadian National intends to operate our pickup and delivery activities in express and freight in the same way as we do now; that is, each railway operating independently.

I think that is all I have to offer, sir.

The CHAIRMAN: Thank you, Mr. MacDonald.

Gentlemen, I thought it would be helpful to have this general explanation once again of the purpose and the main terms of the agreement in connection with the terminal bill.

As I said before, I would like to go ahead this morning with subclause (*g*) particularly as it relates to trucks since we have had a request from the trucking association, whose counsel, Mr. Julien Gazdik, is here. I thought it would be well to hear any submissions he has to make before we consider any approval of subclause (*g*) of clause 10.

Is it your wish that we should hear Mr. Gazdik?

(*Translation*)

Mr. CARON: I have a question to ask on what has just been said.

(*Text*)

The CHAIRMAN: Mr. Caron, we can come back to Mr. MacDonald on this general submission later, but I would like to go ahead this morning with the trucking association.

Mr. BEAULÉ: No, no; Mr. MacDonald has just made a statement and I think we should ask questions on it.

(*Translation*)

Mr. CARON: I only wanted to put one question. We see the National Capital Commission paying $5,500,000 to the CN for the right to use the station. I wonder and I would ask Mr. MacDonald if it might not be possible in the same bill to extend that to the city of Hull, to build a station there and get them to make the same changes.

(*Text*)

Mr. ROCK: I think we should go ahead on the Chairman's suggestion.

The CHAIRMAN: Mr. Caron, that question is one of the questions that could be asked when we come into the whole discussion of the memorandum which was submitted on the financial aspects and the agreement which was entered into, which will be left for another sitting.

We have had this general explanation this morning; it is not meant as a settlement of the question at all, but just as opening remarks in order to give us a background for further discussion later.

Is it agreed that we should ask the trucking association to make their representations?

(*Translation*)

Mr. CARON: I have no objection in this matter, but I believe it's always easier to ask a question when the problem arises.

(*Text*)

Mr. ROCK: To add to your statement, I believe the people representing the trucking association have been here for practically every meeting. They have not said anything. The representatives of Canadian National and Canadian Pacific will be here all the way through our hearings, and I think it would be proper for us to ask the truckers to give their submission so they can go on their way. I think they have been very lenient with us, in a sense, because they have come here for every meeting hoping to give us their side of the story, and we have not given them a chance yet.

The representatives of the railways will be here all the time, so I think we should go ahead on the Chairman's suggestion.

Agreed.

The CHAIRMAN: We have with us today Mr. Gazdik and Mr. Magee. Mr. Gazdik is counsel to the association and Mr. Magee is executive secretary.

Mr. Gazdik.

Mr. J. GAZDIK (*Counsel to the Canadian Trucking Association*): I would like to thank you, Mr. Chairman, and through you your committee for giving us the opportunity to present the viewpoint of the Canadian Trucking Association.

As you know, the Canadian Trucking Association consists of 7,000 truckers and employs 100,000 employees. We feel we have a general interest in this matter for the reasons that I shall explain.

Our comments relate to clause 10(*g*) and clause 19. I realize at the moment you are dealing with clause 10(*g*) only, but if I may I would like to explain why it was felt this was the proper time to discuss the matter of trucking and transportation.

(*Translation*)

Mr. BEAULÉ: We don't have the interpretation here.

The CHAIRMAN: There is no translation there.

(*Text*)

Mr. GAZDIK: There are two introductory remarks I would like to make.

First of all, our comment here has no relation to Bill No. 120. There are other points that we will raise at the appropriate time when this comes up.

We are strictly limiting ourselves at the moment to clause 10(*g*) and clause 19 in this discussion, and all our comments relate only to this.

The second point is that you may have noticed that we have already made representations on much the same point before the Senate committee, and the record will indicate that we have made a few of the remarks that I am going to repeat here. Much of what I am saying is because the representations subsequently made by the railways, to which I did not have any opportunity to reply since we are acting as witnesses not as parties who are arguing, may have had an influence on the decision of the Senate, and I think they should be corrected. If for no other reason than for the record, I will make those corrections on this occasion.

The problem, as I have said, is clause 10(*g*).

As you appreciated on the last occasion, clause 10(*g*) gives the right to this new railway company to establish and operate for hire service and transfer, and conveyance of goods by means of truck. This is all that is left in it if the amendment is accepted.

Clause 19 will declare all the works and undertakings of the company for the general advantage of Canada.

The result is that all works, including the trucking operations which have been limited to pickup and delivery operations, will be taken away from the provincial authority and will be put under federal authority.

You may say that this is the right thing; you may feel this is the right way to do it; but I am wondering whether it is in line with existing parliamentary practice and practice heretofore exercised regarding railways. If it is enacted in this way, there will certainly be a change in the present or heretofore policy expressed in the parliamentary acts.

Mr. Chairman, before I go into the matter of why is it or is it not right to do this, I would like to say that the truckers have a great interest in this matter.

Up to now, under the present transportation policy—as far as one exists—interprovincial trucking has been under provincial authority, and even the railways when they operate pickup and delivery services, are under provincial

authority. That is the present situation. Canadian National Railways are under provincial authority.

In this connection, I think before the Senate, the railways represented rather broadly that trucking operations of the railways are federal matters. I think this is not borne out by the existing statutes, and I shall go on to discuss in detail what the statutes say. However, we believe that all trucking, all provincial, all independent and railway pickup and delivery service within the province is under provincial authority. This is an equality of treatment for all trucking operations.

If you were to enact Bill No. S-33 in its present form, you would change the status quo, and you would take away from provincial authority the supervision of the trucking services of this new railway company.

Mr. Chairman, we are not objecting to railways operating pickup and delivery services; far from it. We think they should operate, as they have done up to now, pickup and delivery services. We are not objecting to Canadian National Railways operating pickup and delivery services; we are not objecting to Canadian Pacific Railway operating pickup and delivery services; nor are we objecting to the new railway operating pickup and delivery services. The point is only a matter of jurisdiction and nothing more. Therefore, there is no problem such as you had in regard to taxes and buses on the last occasion of whether the railways will or will not operate these services. They should operate the pickup services, but they should operate them under the provincial jurisdiction, as they are operating today—as the Canadian Pacific Railway operate today, and as Canadian National Railways operate today. Why should this new railway be put in any different position from Canadian National Railways and Canadian Pacific Railway?

Mr. Chairman, our amendment would do this simply in clause 19, which reads at the moment as follows:

> The works and undertakings of the company are hereby declared to be works for the general advantage of Canada.

What we would like to see is an addition to those words:

> The works and undertakings of the company other than works and undertakings operating under the authority of section 10(g)—

May I just repeat it, adding the continuing words?

> —other than works and undertakings operating under the authority of section 10(g), are hereby declared to be works for the general advantage of Canada.

If you decide to adopt this amendment, the effect will be that the trucking operations—pickup or delivery operations—of the new railway will remain, I submit, under provincial authority.

Mr. Chairman, I have no pride of authorship in respect of this amendment. When the Canadian National Railways Act in 1955 was discussed and enacted the same problem arose. When the Canadian National Railways Act came in, it contained some of the language you have today in clause 19 and Mr. Magee, who at that time was president, perhaps could help me to recall the events. But, it finally ended in a new text, which new text made an exception regarding trucking operations of the C.N.R. and left the trucking operations of the C.N.R. in the provincial field by inserting in clause 18, which generally declared works of the railway for the general advantage of Canada, an exception regarding clause 27 of the Canadian National Railways Act which dealt with pickup and delivery services and such other trucking operations that Canadian National had the authority to carry out.

Mr. Magee, would you help me to recall some of the events at this time?

Mr. JOHN MAGEE (*Executive Secretary, Canadian Trucking Associations*): Thank you, Mr. Chairman. To make it clear to members of the committee what happened in 1955 when the problem that we now find in this bill faced us I would like, with your permission, to distribute to members of the committee the clauses in the Canadian National Railways Act, Bill No. 351, which contained similar provisions, and to tell the committee what representations we made and what the government of the day and, indeed, the entire railways committee, including all parties, unanimously voted to do about this particular problem.

There is a precedence here and, as a matter of fact, there is another one which I will cite as well in the following year. But, first, I would like to deal with Bill No. 351.

The CHAIRMAN: Do the members of the committee wish to have copies distributed?

Mr. COWAN: Mr. Chairman, while the form is being distributed may I ask the witness how you would handle the freight destined for Hull—I am referring to the express part which is put off at the Ottawa station—were you to confine the trucking authority to the two provinces.

Mr. GAZDIK: There is no great difficulty there because you already have the Motor Vehicle Transport Act which will govern transportation between the two provinces, and it already leaves to the provincial authority under this act the general control of that trucking, so you have no problem in respect of interprovincial or intra provincial trucking.

Mr. COWAN: Well, that is all right with me.

Mr. GAZDIK: As I say, I do not think there is any problem there. There is a situation right now which has a certain equity of direction. All trucking is under the same regulatory authority, and all we are saying is that it should remain.

Mr. COWAN: Not all trucking; they are screaming about the labour code right now.

The CHAIRMAN: Would you proceed with your explanation, Mr. Magee.

Mr. MAGEE: On April 26, 1955, there was introduced in the House of Commons Bill No. 351, an act to amend the Canadian National Railways Act. The bill was a lengthy one; there were 47 clauses to it. Clauses 18 and 27 were the only ones of concern to the trucking industry. The remainder of the bill was addressed to the complicated problem of streamlining the corporate structure of the Canadian National Railways.

On the first reading of the bill on April 26, 1955, clause 18 read as follows:

> 18 (1) The railway or other transportation works of every company that is comprised in Canadian National Railways and is incorporated by or under the laws of Canada are hereby declared to be works for the general advantage of Canada. (2) The works of every company that it comprised in Canadian National Railways but is not incorporated by or under the laws of Canada are hereby declared to be works for the general advantage of Canada. (3) The companies incorporated by subsection (2) of section 7 of the Canadian National-Canadian Pacific Act are hereby continued and such companies are in respect of all their affairs subject to this act.

There was included as part of Bill No. 351 a schedule of companies, one of which was Canadian National Transportation Limited, which is a trucking subsidiary of Canadian National Railways. It was apparent, from a study of clause 18, that two things were going to happen if Bill No. 351 passed as

presented to the house, that Canadian National Transportation Limited and also Motor Vehicle Services operated directly by the Canadian National Railways and not through a subsidiary by coming under the declaration for the general advantage of Canada would be transferred from provincial to federal jurisdiction.

Under date of May 6, 1955, we addressed a submission to the minister of transport, Hon. George Marler. This submission stated in part, and I quote:

> It would appear that if bill 351 is passed in its present form, compliance of trucking operations of Canadian National Railways or Canadian National Transportation Limited with provincial government control would merely be on a courtesy basis. It would have no legal meaning, would not be upheld if challenged in the courts. It would mean that a reversal of policy regarding compliance of Canadian National Railways trucks with provincial control could be effected by the railway at will.

We continued that submission by saying:

> Such a condition would be diametrically opposed to the government's own policy of rejecting divided jurisdiction, following the privy council decision on extra-provincial highway transport last year. Declaring that it would not be in the public interest to have a divided jurisdiction, your predecessor, Hon. Lionel Chevrier, secured passage of the Motor Vehicle Transport Act so that 'the provinces will be able to control all motor transport using provincial highways'.

Then we concluded our submission to Mr. Marler by saying:

> Canadian trucking association is confident that when you bring bill 351 before parliament for second reading it will include appropriate government amendments to sections 18 and 27 in order to maintain the Canadian National Railways' ability to operate its trucks in compliance with provincial control and regulations.

Now, Mr. Chairman and members of the committee, representations along the same lines were made in 1955 to the minister by the inter-city bus industry, through the Canadian Motor Coach Association.

The reply of the government of the day came on the morning of May 16, 1955, when the minister of transport, Mr. Marler, telephoned me and told me that a study of C.T.A.'s submissions of May 6 and May 12 had confirmed that there was an error in the Canadian National Railways' drafting of bill 351. The minister stated that it was the government's intention to correct this error by appropriate amendments when the bill was before the House of Commons committee on railways, canals and telegraph lines.

Now, the minister informed me that the Canadian Trucking Associations would have an opportunity to make representations to the committee, as we are doing now, in regard to Bill No. 351. He said that he was confident that amendment of the bill would be accepted by the government in a way that would correct the error which we had originally drawn to his attention under date of May 6, 1955. The minister told me that the form of amendment of the bill was being decided and he could not say yet what this would be; it could not be revealed until it was brought forward in the committee.

When the amendment was brought before the committee it was not an amendment which met our case by taking the right to run buses out of section 27 of the Canadian National Railways particular act. That was not the way the government went about it at all.

On May 23, 1955, the minister of transport introduced that bill for second reading in the house, and made his statement regarding the government's

intention to amend the bill in order to prevent the removal of the railways highway transport operations from the control and jurisdiction of the provinces. The minister proposed to remove certain companies, including Canadian National Transportation Limited, from the declaration in section 18 that the railway or other transportation works comprising the railway were for the general advantage of Canada.

On Thursday, June 2, 1955, the standing committee on railways, canals and telegraph lines met. In attendance were Mr. Marler, Mr. Fortier, counsel for that department, Mr. Driedger, at that time assistant deputy minister of justice, Mr. N. J. MacMillan, vice president and general counsel of the Canadian National Railways, and Mr. J. W. G. Macdougall, commission counsel, as well as a number of other people.

At the opening of the hearings, Mr. MacMillan was called and outlined the historical background and financial structure and general operations of Canadian National Railways and its predecessors. He also explained the purpose of the bill, and was questioned.

Then we reached clause 18 in the late afternoon of June 2, and you will find at page 244 of the transcript that the committee having reached clause 18, Mr. Langlois, the member for Gaspe, stated:

> I have a suggestion to offer to the committee. In order to avoid duplication of the discussion and of the evidence which the committee might wish to hear, may I suggest that we deal with clauses 18 and 27, since these two clauses are closely related one to the other, leaving the intervening clauses to stand.

This procedure was agreed to by the committee. Then Mr. Langlois, seconded by Mr. Cavers, moved that clause 18 be amended by adding thereto the following subclause. This is not the amendment shown on your sheet but I would like to preserve the continuity of exactly what happened, so I will give you the first amendment which was moved and later withdrawn, and replaced by the amendment to clause 18, which you see on the sheet before you.

The original amendment was that a subclause (4) be added, reading:

> For the purposes of this section, the expression 'works' and 'railway or other transportation works' do not include (*a*) any works operated under the authority of section 27, and
>
> (*b*) the works of any company mentioned in part III of the first schedule.

Canadian National Transportation Limited was one of the companies listed in part III of the first schedule.

Section 27 was amended and that amendment stood. It is on the sheet that you now have in front of you. It reads as follows:

> The national company and every other railway company comprised in national railways may, in conjunction with or substitution for the rail services under their management or control, buy, sell, lease or operate motor vehicles of all kinds for the carriage of traffic.

Then the committee met again the next day and resumed consideration of the bill. The chairman asked that the committee go back to clause 18, and Mr. Langlois, the member for Gaspe, stated:

> Mr. Chairman, yesterday I moved an amendment to clause 18, and I am now seeking permission from the committee to withdraw it, and move the following amendment instead. I will read this new amendment.
>
> Replace section 18 by the following: 18(1) the railway or other transportation works in Canada of the national company and of every company mentioned or referred to in part I or part II of the first sched-

ule and of every company formed by any consolidation or amalgamation of any two or more of such companies are hereby declared to be works for the general advantage of Canada.

I might point out again that removed Canadian National Transportation Limited from the declaration "for the general advantage of Canada" because it was listed in part III of the first schedule. So, as I say, that took Canadian National Transportation Limited out of the declaration for the general advantage of Canada and preserved the provincial jurisdiction over the operations of that company where the provincial jurisdiction would apply.

I will now continue:

(2) The companies incorporated by subsection (2) of section 7 of the Canadian National-Canadian Pacific Act are hereby continued and such companies are in respect of all their affairs subject to this act.

Then I will read subsection (3), which parallels the representations which Mr. Gazdik has made to you on behalf of the Canadian trucking associations on bill No. S-33.

(3) for the purposes of this section, the expression 'railway or other transportation works' does not include any works operated under the authority of section 27.

I would like to move from that very large example of the removal of the declaration from a company with coast to coast operations. May I say that that removal was a unanimous act of the committee.

Now, in respect of the second precedent, Mr. Chairman, I should like to have distributed a comparison of the provisions of bill No. Y-9, which was introduced in the Senate in 1956.

While the copies are being distributed may I say that to the best of our knowledge the two examples I am bringing before the committee now and of which I had personal experience, because I was with the Canadian Trucking Associations and involved in both of these matters, are the only examples that we know of where a railway company has come before parliament since the birth of the trucking industry and asked that the declaration "for the general advantage of Canada" be applied to the motor vehicle operations of their company. We can talk about the Toronto Railway Terminal bill of 1906 but, Mr. Chairman, in 1906 we had no Canadian trucking industry in this country.

Mr. FISHER: If I may interject, you introduced the Toronto Terminal Railway Company because that was an example given in the Senate hearings, was it not?

Mr. MAGEE: That is correct, and it also has been referred to in these hearings.

What I am dealing with, Mr. Chairman, is what parliament has done about the application of a declaration of this kind to operations on the road since the trucking industry came into existence. And, we contend that what parliament did in 1958 was the fair and equitable thing to do. Parliament put the railway trucks on exactly the same constitutional and jurisdictional basis as applies to the trucks of independent trucking firms.

Now, Mr. Chairman, in respect of Y-9, I am not going to read the whole phraseology of these clauses as they were introduced originally for that bill when it came before the Senate. Possibly this bill too was copied from the Toronto Railway Terminal bill of 1906. In any case, we arrived at the Senate to make a submission on the bill. We also had written to the minister of transport Mr. Marler, about it, and before we were called to make our submission it was announced that certain amendments would be made to bill Y-9. The amendment we are particularly concerned with in regard to Bill No. S-33 was this. Instead

of "the works and undertakings of the company are hereby declared to be for the general advantage of Canada", which would have included all the motor vehicle works in Bill No. Y-9, an amendment was adopted, which read, "the works and undertakings of the company other than those related to the transport of goods or passengers by motor vehicle are hereby declared to be for the general advantage of Canada." And, I recall that Senator Hugessen turned to me then and said that he assumed that deprived the committee of the pleasure of a submission from the Canadian trucking associations, and I said yes, it does, that we appreciate it and we have no further submission to make on the bill.

Those are the precedents, Mr. Chairman, and those are the reasons, frankly, that we are astonished that on a bill such as the Ottawa Terminal Railway Company bill we are here before the committee apparently still not very far advanced in having the government—and perhaps I am wrong about this; we will see—maintain its policy of fair and equitable treatment in regard to the constitutional treatment of the railway trucks as opposed to the trucks of independent trucking firms. And, I think it would be most unfortunate, Mr. Chairman, at this stage when the Department of Transport are reorganizing their staff and, for the first time, putting staff in the department which recognizes the existence of the trucking industry, as they are now doing, to have the trucking industry come to believe that all of a sudden we are going to have a change of policy and that there is going to be a different kind of jurisdictional treatment given to railway trucks from that given to the trucks of the independent trucking industry.

The CHAIRMAN: Will you continue, Mr. Gazdik.

Mr. BARNETT: Before Mr. Gazdik continues may I have an explanation as to what the Grand Falls Railway is? Is it a terminal railway?

Mr. MAGEE: As I understand it, it was a very small railway. I do not know whether or not it ever came into existence. However, what we were concerned about was the principle of this.

Mr. GRANGER: Mr. Chairman, for the enlightment of members of the committee, this is a railway which hauls newsprint from Grand Falls to the port of Botwood.

Mr. MAGEE: I am sorry but I did not mean any insult to that railway.

Mr. PETERS: Mr. Chairman, why the designation of "Y" in respect of this bill?

Mr. FISHER: Come on, now.

Mr. PETERS: Was it a Senate bill?

The CHAIRMAN: Yes, it is a Senate letter.
Would you continue, Mr. Gazdik.

Mr. GAZDIK: Mr. Chairman, I would like to add a few words to what was said by Mr. Magee because I think this is a policy actually which heretofore has existed. I do not think this parliament or the parliaments before ever intended to use 92(10)(c) of the British North America Act unduly. I think this is one of the most delicate operations. This is one of the places where the federal parliament has tremendous power to take away, if it so wishes, certain powers from the provinces which the provinces have. However, this power heretofore has been used with great discretion; and I think this power should be used with the greatest discretion.

In the Senate we were reminded that parliament has tremendous powers. True enough; they have remendous power, and we do not doubt that if you feel that the pickup and delivery service in and about the city of Ottawa is of sufficient national importance that it warrants the intrusion into the provincial powers, then I think you will make the declaration. However, if on the other hand you find that the matter does not have such significance, if you find

it is not of such importance that it should be taken away from the provincial jurisdiction, then again I think it would be very unwise on the part of the parliament to make a declaration, because it would then use the power without discrimination, and I think it would involve litigation, and may have all sorts of repercussions.

I will review some of the jurisprudence which has existed heretofore in respect of section 92 (10) (c) of the British North America Act. From that jurisprudence you will see there is a great deal of caution with which parliament should proceed. First I would like to refer to a comment by Sir John A. Macdonald in 1882—a very early date—which he made in parliament. He said:

> The language cannot be clearer, and the object of this clause, the object of the imperial parliament in passing the act was to prevent absurdity and expense and obstruction to material progress by compelling every person introducing a great undertaking—offering to carry out a great undertaking in each other province for the general advantage —to go to the several provincial legislatures. They might get power in one, they might be refused it in another;—

It is not a question of whether they have the power. They have the power. It goes on:

> —they might get restricted powers in one and large powers in another, they might be compelled to submit to conditions varying and inconsistent in their nature.

This is not the case here. This is not the case in this pickup and delivery service of the Ottawa Railway Company.

Now, I go on to a case known as Luscar Collieries Ltd. vs. N. S. McDonald in 1925. In this case the learned Justice Duff said the following:

> —the purport of the declaration authorized appears to be that the work which is the subject of it either is an existing work, beneficial to the country as a whole, or is such a work as ought to be executed, or, at all events, is to be executed, in the interests of the country as a whole.

I do admit it has tremendous importance for Ottawa, but I wonder whether it has an importance as large as to use the discretional power given under section 92 (10) (c).

I go on to another matter which is a reference in respect of the relative rights of the dominion and the provinces in relation to the proprietary interests in and the legislative control over waters with respect to navigation and water powers created or made available by or in connection with work for the improvement of navigation. Again, Justice Duff said:

> The authority created by S92(10)(c) is of a most unusual nature. It is an authority given to the dominion parliament to clothe jurisdiction —in respect of subjects over which, in the absence of such action by parliament, exclusive control is, and would remain vested in the provinces. Parliament is empowered to withdraw from that control matters coming within such subjects, and to assume jurisdiction itself. It wields an authority which enables it, in effect, to rearrange the distribution of legislative powers effected directly by the act, and, in some views of the enactment, to bring about changes of the most radical import, in that distribution.

Mr. Chairman, again I cannot find the importance of the pickup and delivery service is such that it would warrant such redistribution of jurisdiction by parliament.

I have one more case; it is the Attorney General of Ontario vs. Canada Temperance Federation:

> The true test must be found in the real subject matter of the legislation: if it is such that it goes beyond local or provincial concern or interests and must from its inherent nature be the concern of the dominion as a whole then it will fall within the competence of the dominion parliament.

I think there is another test. I think a declaration is justified only if these tests are made; if these tests are not made, then I think the declaration may be unwarranted.

Mr. Chairman, I now would like to come to another point. It is our submission that the new Ottawa Terminal Railway Company really does not need this power; it does not need to come under federal jurisdiction in respect of the pickup and delivery services. I would like to refer to what was said in the hearings before the Senate committee. I think Mr. Macdougall was replying to certain questions. This is on page 46 of the proceedings of the standing committee. Mr. Macdougall answered a question put to him by Senator McCutcheon.

Mr. Macdougall said:

> I will answer that, senator, by saying that at the present time we do not actually perform any services in the Toronto terminal area under the powers of the Toronto Terminal Railway Act. We have a local trucker who does our pickup and delivery work in the Toronto area, and he complies with the local ordinances and laws.

I do not think it is really necessary for parliament to take this right away from the provinces for an eventuality which presently they are not even using.

Again I would like to refer also to another statement by Mr. Macdougall at the top of page 47. Here I think Mr. Macdougall is replying to a question with regard to what extent does the Canadian National Railways comply with provincial laws. You come to the famous principle that the Canadian National Railways by the grace of God in fact does comply with provincial requirements, although it really does not have to comply with them. Here Mr. Macdougall says:

> The practice of the Canadian National Railways all across Canada is to comply with the local provincial jurisdictions.

If that is the practice of the Canadian National Railways and the Canadian Pacific Railway, then are we now seeking something new in respect of the Ottawa Terminal Railway Company? Is the Ottawa Terminal Railway Company going to be put in a different position, legally speaking? Is there any justification for doing so? This morning I think Mr. MacDonald made the statement, if I understood him correctly, that the Canadian Pacific Railway and the Canadian National Railways were going to continue their pickup and delivery services. If they are going to continue that, is it again warranted here to give this company the pickup and delivery service and except them from the provincial authority? I cannot see the justification for it. We see a lot of references to the company wanting to do something and wanting to comply with the provincial auhority and yet, for some reason or other, they want to have this company be in a position where it comes regarding the pickup and delivery service under federal jurisdiction. We do not know the reason for it; perhaps they will tell the committee. They have not said it to the Senate committee.

Mr. Chairman, I would like again to come to a little correction which I am bound to make because it is here on the record. It is at the bottom of page 45 in the proceedings of the standing committee, volume No. 2.

I think, Mr. Macdougall, I might be permitted to read this:

> ...we are not asking for any powers to operate trucking services in conjunction with or in substitution for rail services such as Mr. Gazdik

read to you in the Canadian National Railways Act. Those powers enable them to offer over the road railway services which may be 10, 50, or 100 miles, as long as those services are in substitution.

Under the powers of the Canadian National Railways Act, which he spoke of, we can substitute a highway service for rail service. Also with that power we can put on a highway service in conjunction with the rail service. That is not what we are asking for here either.

I am not quite sure what they are asking for. I take it that it is pick-up and delivery. If it is pick-up and delivery, my submission is that the Canadian National Railways Act, section 27, does include pick-up and delivery. But that is not my statement.

I will have to call your attention to the debate of the House of Commons, to be found in the official report for May 24, 1955, when Mr. Marler the then minister of transport said this, which is recorded at page 4075 as follows:

In order to particularize the type of transportation services to which the bill was intended to apply, I then went on to say:

This is designed primarily in order to regularize pick-up and delivery services in the metropolitan centres.

I submit this is pick-up delivery, and that the Canadian National Railways Act, section 27—and this is what Mr. Marler is talking about of course—does include pick-up and delivery service. Therefore, there must be some change of which I do not know, or of which we do not know. We think that section 27 may be broader than pick-up and delivery, but I am not going to go into that part of it. It certainly includes the authority for pick-up and delivery, and I submit that it is the actual authority for pick-up and delivery of the Canadian National Railways.

That being so, section 10(g), providing for the operation by trucks which is said to be pick-up and delivery, is the same. So, therefore, they are asking now for the same thing that they already have under section 27. The only thing they have not told you yet is why they want to have an exception made here, and why they want to have this operation in Ottawa come under federal authority.

As I said, in 1955 this policy was a very important one. This policy went a great deal further than the proposed act, because at page 4076 of the same *Hansard* that I referred to earlier, you will find at the bottom of that page, at the end of the statement of Mr. Marler, the following:

—it was never my intention that the declaration contained in the bill to the effect that the transportation works were works for general advantage of Canada should extend to cover the highway transportation activities of the Canadian National Railways, under the section of the bill by which it is proposed to give them power in this matter.

Because it was their intention, is it your intention now? I really doubt it, but I am not sure. In fact the amendment as you have heard from Mr. Magee affecting section 18, with the exception of paragraph 3 of section 18, is to put the railway company in a position, said Mr. Marler, of having corporate powers to carry out these activities, and would leave it in the position in which it is at present, of requiring it to conform to provincial legislation so far as carrying on of its operations is concerned.

This was the policy of the government in 1955, and it has not been changed, I submit, today.

Now, the suggested amendment, if I may come back to this, we have submitted to you is, as I said much earlier, not something for which we can claim

credit. Mr. Marler again, when this matter was heard in the committee in connection with Bill No. 351, on June 3, 1955, at page 245, said as follows:

> When I first thought about the matter my inclination was to believe that we should have specific words referring to provincial jurisdiction appear somewhere or other in the text, but when I went into the matter, and when the subject was explained to me fully, I realized that if we were to put it in one clause then the implication would be that in other clauses of the bill, where other powers are being given which have in some cases to be exercised, subject to provincial jurisdiction, we would seem to be creating a distinction between the two classes of powers. The legal advisers of the Department of Justice have told me that the powers under clause 27 can best be made subject to the authority of the province by excepting the works being carried out under clause 27 from the declaration 'for the general advantage of Canada'.

We submit that what was true then is true now, and that the best way to preserve provincial authority over trucking operations, over pick-up and delivery trucking operations in or about the city of Ottawa, is by creating an exception in section 19 in the manner I suggested, or in some such words as you may deem best suited for the purpose.

Perhaps I might add that in as much as it is not a derogation, as was suggested by Mr. Macdougall in his statement to the Senate committee, that we are talking not of a derogation of powers that the Canadian National or Canadian Pacific now have, but what we are asking for is to put the new railway on the same footing as the Canadian Pacific and the Canadian National Railways, and not to create here an exception which might operate, I submit, unfavourably regarding other trucking operations.

This matter of a declaration has the curious result in that at the present time there is a certain extent of provincial control and municipal control over local trucking operations. But if you make this declaration, then the trucks will come under federal jurisdiction, and I submit having regard to the nature of interprovincial trucking, there is no regulatory organization or body which will control that trucking operation. This may be a curious result, but under the jurisprudence of the existing law, that is, the Motor Vehicle Transport Act, it applies only to interprovincial trucking, and interprovincial would be Ottawa-Hull, and it will be under the same act and will continue to remain under the same provincial-federal jurisdiction, and I refer to operations in or about the city of Ottawa.

I submit that we do not know exactly the limit. It certainly is possible that a large scale pickup and delivery operation will be carried out by this railway company without any control. I think that this is an unfortunate position, even for the other pickup and delivery trucking operators, if those concerned are under the same control, and the railways competing with them are without control. I leave it to you to draw your own conclusions regarding it.

Mr. MACDONALD (*Rosedale*): It seems to me that it really boils down to this: Why as a matter of policy should not pickup and delivery service *vis à vis* the new terminal not be included under federal jurisdiction like every other part of the new terminal? Mr. Magee said that it would be fair and equitable to put it under provincial jurisdiction. But I really do not understand what he means by that. Why would it be unfair or inequitable for the federal government to control the carriage of goods out of the station or into the station? Where would the inequity arise? Where would the unfairness arise?

In the authorities he mentioned, Mr. Gazdik made reference to the fact that it was desirable where there might be a diversity of jurisdiction in the operation, and that it might be under federal control. I submit that this is an excellent example of it right now. Surely, if it be concerned with pickup and

delivery in both Hull and Ottawa, it is under the jurisdiction of the two different provinces, so why do not those authorities apply in this particular case? It makes good sense to me that pickup and delivery operations should be under the control of the same people who are otherwise controlling the railway terminal. What is unfair or inequitable about that?

Mr. MAGEE: You ask what is unfair or inequitable about it? But if that occurs, parliament for the first time would give to railway trucking operations an entirely new and discriminative jurisdictional power which has not occurred in the case of other trucking operations in this country.

One trucking company in this country employs a great number of pickup and delivery trucks, I would say quite confidently, in the cities of Montreal and Toronto, yet parliament has never made any move to say that the pickup and delivery operation of these very large trucking organizations should be put under federal jurisdiction and removed from control. But that is what would happen. It would remove them from control.

Mr. MACDONALD (*Rosedale*): What kind of control? Are you saying that the Ontario highway transport board exercises a different control over the Canadian National Railways and Canadian Pacific Railway in their pickup delivery operations in Ottawa and Hull?

Mr. MAGEE: The Ontario highway transport board does not control trucking within the city, no; but we, as the Canadian trucking industry, are strongly opposed to parliament setting a precedent, lifting your provincial jurisdiction over certain trucking operations of the railways, and transferring them to federal jurisdiction. What would occur would be the start of a sliding away from the policy which the government decided upon in 1955, and again in 1956 in the only two instances when this question arose. Parliament said that railway trucking must be under the same jurisdictional and constitutional treatment as the trucks of the independent trucking industry.

Mr. MACDONALD (*Rosedale*): So the province does not actually exercise any control over the pick-up and delivery operation in Ottawa. Putting them under the same control would be an illusion, because there is no control.

Mr. MAGEE: There could be municipal or a provincial control.

Mr. MACDONALD (*Rosedale*): But in fact there is none at present.

Mr. MAGEE: There is now in the province of Ontario a very far reaching investigation being carried out into the whole application of the provincial regulatory laws pertaining to the board of transport. This is probably going to take about a year to complete. This will be a sort of royal commission investigation. We think that a very important question of principle is involved here and that this exception should not be made. Even if we could say to the committee that at this moment to take the trucks off the Ottawa Terminal Railway Company, which would normally come under the provincial jurisdiction, and transfer them to the federal jurisdiction will not, at this moment, harm any individual trucking company, we would still be strongly opposed to this precedent being set. As a matter of fact, not only is a precedent being set, but a reversal of the policy which parliament has followed in these matters and which we feel was eminently fair.

Mr. MACDONALD (*Rosedale*): I will revert to the same question. You have a situation where the regime that you are asking for is under one provincial jurisdiction in Hull, in which you would like to control the pick-up and delivery operation, and there is another provincial jurisdiction in Ontario which would do the same thing. What happens if there is a diversity in treatment; that is, the people in Hull will be put by the provincial government under different conditions regarding pick-up and delivery from the station? It seems to make eminent good sense that in so far as pick-up and delivery is concerned—

that is all we are talking about in this case—they should be under the same jurisdiction which controls other aspects of the railway operation.

Mr. MAGEE: This is a legal question which Mr. Gazdik can answer better than I.

Mr. GAZDIK: I think I understood the question. It is a very nice question although a difficult one. I will try to refer you to the fact that under the Motor Vehicle Transport Act of 1904, the Ottawa-Hull operation is already an interprovincial operation and comes under the federal jurisdiction which is delegated to the provinces. That is to say, the Ottawa-Hull operation is done by the transportation board of the province of Quebec under, so to speak, a federal hat. We have seen a number of similar operations. They exercise a certain control, and they exercise this control in the same way as any other interprovincial operation. What you are actually asking is why we should not put an interprovincial operation on the same footing as a provincial one. That applies to the whole of Canada. Why has parliament not heretofore lifted away from the provinces the interprovincial authority and put it in the hands of the federal authorities? They have not done it. I do not think there is any justification for it. They have not done so advisedly.

Mr. MACDONALD (*Rosedale*): You are making a very appealing suggestion, and it is not a bad idea. However, throughout your presentation you argued on the basis of a national operation. I can see there would be difficulties in controlling a national operation, but it seems to be a narrowly confined operation. It seems to make good sense that one entity should in fact control all the pick-up and delivery operation. That is what you are speaking against.

Mr. GAZDIK: I am. We must realize one thing, that is that the Ottawa Terminal Company is not setting down a new railway in the Sahara desert. It is coming in where railways, pick-up services, and the entire operation, have operated for many years. I have not heard any complaint, and I do not think you have heard any complaint that things are badly set up. The railways are doing it right now. They have all those disadvantages, those provincial burdens, on them, and they have not complained. They have not said it is bad. They have been operating the pick-up and delivery service, and the other independent truckers are doing the same thing. It is operating very well. This is the status quo.

What you are suggesting is that we should make a change in the status quo. Is there any justification for it? I do not see any. You can make the change in the law. Earlier on I did say that parliament is omnipotent and can do a lot. It will do it if it feels it is justified in doing so. If the railways had come up here and had said, "We are harassed by the city of Ottawa; we cannot operate; we are harassed by the Ontario government", and if they said, "We are overregulated because there are 16 regulatory bodies over and above us. Save us, take us out and put us under the federal control, or take us out from under the provincial jurisdiction", you would then have a case. However, nobody said that.

Mr. MACDONALD (*Rosedale*): I will put it to you this way: We are setting up a regime which we hope will last for many years in Ottawa. We are taking a fresh look at this particular situation. I say it is logical with respect to the pick-up and delivery aspect of this matter. It should all be under one control. That is all I am saying.

You made a further assertion with regard to the powers referred to under 10(*g*). You asked "Why ask for these corporate powers for the terminal company?" I would put this to you: I think it makes good sense, regardless of whether in fact the Toronto Terminal Company has ever exercised the power it has. It is good sense to give the terminal company the power to operate its own transport system for the benefit of both railways, and give them the

corporate power to do so, regardless of whether in fact it is exercised or not. If the clients you represent become extortionate in their rates, then the terminal company will have a lever to use against those rates. I am suggesting to you that it is appropriate that we give this power now, regardless of whether it is in fact exercised or not.

Mr. GAZDIK: I am in full agreement. I only said that it would be taking it out from the provincial jurisdiction. As far as clause 10(*g*) is concerned, I said at the very beginning, and I will repeat it so that there should be no question about it, we are not objecting to these powers. We are not objecting to giving this new railway company the pick-up and delivery service. We are not objecting to the Canadian National Railways and the Canadian Pacific Railways doing pick-up and delivery. The only question I have raised is that there is no justification for taking the operation of these vehicles out of the provincial control under which the Canadian National Railways and the Canadian Pacific Railways operate. The justification was that even in Toronto they are not using these powers so they do not need to take it from the federal authority. If they would need it, they would say we cannot operate with local truckers in Toronto; we have to have it under the very convenient system, perhaps, of the federal authority. They have not said it, so they are completely content with the provincial operation; they have said so.

Mr. MACDONALD (*Rosedale*): We are setting up an entirely fresh regime. You are dealing with two separate jurisdictions, and it seems logical to me to put them under federal jurisdiction.

Mr. GAZDIK: When you say put it under one regime or—

Mr. MACDONALD (*Rosedale*): Put it under the federal jurisdiction.

Mr. GAZDIK: If we search for the federal power in our complex system—and I do not have to tell you because you know it much better than I—there is no clear statement of what is exactly federal and what is provincial. Even some operations may in some cases be said to be provincial and some cases federal. Mr. Driedger in 1959 gave a very learned statement on this business of provincial and federal powers. Even if a federal authority would want to control a federal operation it could not do it; the railway commissioners do not have the power.

We have the case of Beauport and Quebec in which the Supreme Court of Canada said they had no power. Here is a typical case in which it is easy to say "take it away and then the federal control will apply", but I submit respectfully that there may not be any federal control and the result, regarding interprovincial operation, is that you have done nothing because there you have the Motor Vehicles Transport Act to apply and, regarding intraprovincial transportation you have done something but what you have done actually leaves the field open and without control. That was my submission.

Mr. MACDONALD (*Rosedale*): Are you arguing that even without this declaration it would be to the advantage of Canada that the federal government could get no greater jurisdiction than in the past?

Mr. GAZDIK: No. I am much more careful about this than that because I think this is a very very complex field, and very delicate points are coming up all the time. I cannot quite say whether there should be any federal authority that would control this operation, legally. I merely say that there is not one right now in existence; whether the federal parliament would introduce one at a later stage is something which I cannot say.

Mr. ROCK: Mr. Gazdik, I think your presentation here is very good—in fact, you would make a very good politician!

In reference to certain statements you made earlier about Mr. Macdougall, you refered to a certain statement and then more or less cut him off directly by saying that this was about all he said. However, having looked through

the Senate report I think he presented a very good case, but you did not go into it thoroughly. You left the impression that Mr. Macdougall just made a certain statement and did not answer anything and did not present anything else. Then Mr. Magee is trying to convince us that we will be causing a precedent, yet I think according to the statements of Mr. Macdougall in the Senate committee one can see that he has proven his case very well, which is to the contrary of yours. I hope, Mr. Chairman, that Mr. Macdougall will be called here immediately after Mr. Magee and Mr. Gazdik to present his side of the story, with the representative of Canadian Pacific, so we will have a complete picture.

Mr. GAZDIK: I would like to say forthwith that I have the greatest respect for both Mr. Spence and Mr. Macdougall, and when I quoted certain parts of their statements I certainly did not intend to fall into the fault of misleading you into thinking that these were the only statements. If I fell into that fault I apologize to them and to you, because that was not my intention. I merely tried to take a short cut, and perhaps wrongly. I find their statements were extremely well done, and more than this—they were very successful.

Mr. ROCK: Mr. Chairman, I do not believe we receive these reports automatically.

The CHAIRMAN: Yes, we do.

Mr. RYAN: I would like to ask Mr. Gazdik if he is aware that under section 12 of the National Capital Act of 1958 the National Capital Commission is empowered to operate a railway throughout the national capital region, which surrounds both Ottawa and Hull for quite a few miles.

Are you aware of that, Mr. Gazdik?

Mr. GAZDIK: Yes.

Mr. RYAN: Do you not think the federal government here is probably trying to preserve the federal jurisdiction for the National Capital Commission in the event it does seek to take over railroading in this area?

Mr. GAZDIK: That may be the case, but I submit respectfully in answer to this question that if that is the purpose it can easily be achieved if and when this power will be conferred. There is no difficulty in including it in the trucking powers. I do not think there is a need for doing it through this piecemeal legislation. When the time comes it can be done very easily.

Mr. RYAN: Do you not think we would be creating a precedent the other way here which you could argue at some time in the future if we deducted the power from the Ottawa terminal railway?

Mr. GAZDIK: I do not know, Mr. Chairman. We are arguing on existing precedents right now. If we succeed in convincing you that those precedents were right, then I think those precedents are right and they are good, and if we then will argue later on that you were right on two previous occasions and a third occasion, and you should be right on the fourth occasion, that would be just the same argument. I do not think the fact that the city of Ottawa, if I may say so, will be made eventually an exception, and for the purpose of such an exception at a later stage for which you will need certain powers, will deter you from incorporating a railway company. Today you are only looking at the incorporation of a railway company, a company which by its own charter calls itself a railway. In looking at it as a railway company you have the precedents of parliament regarding railway companies.

Mr. RYAN: Do you not think we have to look at it here as a unique situation and a unique location and take into consideration the future of the national capital region?

Mr. GAZDIK: I think I have answered this. I do not know whether you should. I think you are looking at it in a unique way and we are looking at it

in a unique way, and we think the entire plan is a most commendable and wonderful effort, if I may say so on behalf of the association I am representing. But when it comes to trucking, we have not seen or heard—and I submit there are none at this stage—any references to any difficulty existing today that warrants the use of section 92(10)(c).

I come back to this. This is a very important matter and it always was, because if it is abused then I say there is no provincial jurisdiction.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I would like to ask Mr. Magee a couple of questions.

I had anticipated, Mr. Magee, that part of your argument would have been concerned with the operations of Canadian National Railways and, to a degree, Canadian Pacific in long distance hauling through Smith transport and organizations such as this. I would assume the amendments made in the bill in the Senate which brought it down to "in and around Ottawa" took care of any anticipation you may have had about this becoming a base for long distance trucking operations.

Mr. MAGEE: Yes. Our original appearance in the Senate was prompted not only by the application of the declaration for the general advantage of Canada to the proposed motor vehicle operations of the Ottawa Terminal Railway Company, but also by our fear that the wording of clause 10(*g*) as it originally appeared in the bill would enable the Ottawa Terminal Railway Company to conduct trucking operations across the province of Ontario under federal jurisdiction, and since there is no federal regulatory apparatus for the control of motor trucks in Ottawa set up by the federal government it would have been an absolutely discriminatory jurisdictional treatment given to that particular trucking operation.

It was as a result of that submission that the words were added in clause 10(*g*) in the Senate restricting this to "in and about the city of Ottawa".

Mr. FISHER: Do you feel the amendment that was made in the Senate is strong enough to prevent this transportation terminal that is going to be constructed from being, say, the eastern Ontario depot of long distance truck hauling by both Canadian Pacific Railway and Canadian National Railways' subsidiaries?

Mr. MAGEE: I think so. I can say that we are not sure that the wording "in and about the city of Ottawa" will confine the trucking operations of pickup and delivery just to the urban limits in this area. How the wording will be applied is something that has to be seen yet, but we do certainly not foresee that this would become a terminal for long distance trucking operations of the two major railways.

Mr. FISHER: I would like to go a little further into this.

This is problematical, but it is my understanding that Canadian National Railways plan, for example in Toronto where much of their pickup and delivery trucking is done by for-hire truckers or organized companies such as Hendry's, to change this to rationalize the whole thing into a part of the railway operations, I understand through Canadian National Transportation Limited.

I would assume if this pattern that is going to be projected in Toronto develops and becomes a pattern right across the system, we may reach a stage when Canadian National Railways and maybe Canadian Pacific are planning a long term rationalization or integration of all their services so that in a sense it all operates within the one framework.

If this is the development, I do not see anything sinister in this terminal operation here, but it does seem to me that Canadian National Railways at least are being provided with a basis from which to work; and that could raise issues that are much more severe for the people you represent than you have put to us at the present time.

I wonder if you have any information or comments on that?

Mr. MAGEE: Mr. Chairman, we can only go on the basis of the wording of the bill and of the expressed intentions of the railways when they appeared before the Senate.

I would say that if there is a danger or a possibility of a development such as you contemplate, Mr. Fisher, it is all the more important that the jurisdictional treatment being given to the Ottawa Terminal Railway Company trucks should be the same jurisdictional treatment as parliament gives to trucks anywhere in this country.

Mr. FISHER: May I ask Mr. Gazdik, if he has not already elaborated on this when I was out of the room, to tell us the significance of the case that is before the Quebec courts. It is obviously very serious because when Mr. Gordon was before us with his annual report a few months ago he refused to make any comments on it because some of his previous comments had become part of the argument, I gather, before the courts.

If I understand this particular case correctly, if it should be decided against Canadian National Railways, in effect it would call in question almost all the trucking operations that Canadian National is engaged in except those that are directly, or on the face of it, developed as the substitution for rail services. Is that sort of a fair hypothesis or conclusion to come to?

Mr. GAZDIK: Well, Mr. Chairman, I find it rather difficult to answer this because the conclusions of this case took up about 1½ type written pages. There were many little details concerned with it. But, if I could answer your question in sweeping terms I do not think you are quite right. I think all we have been trying to do in this case which is before the Quebec Superior Court—and, incidentally, this case will be heard sometime next February—is to insist that the Canadian National Railways do only what is permitted in respect of them in section 27; in other words to restrict its operations to those which are in conjunction with or in substitution for railway services. Now, that is our conclusion there. There are certain circumstances in which the railways, I submit, have not been entirely within this framework of section 27, and we have referred to those in the action. We are not asking the railways to bend in any of their trucking operations but to operate within the law as parliament has provided them to operate.

Mr. FISHER: But I think it is only fair that we should keep in mind the fact that there is a legal argument to present as well as a policy argument by the Canadian trucking associations against the position of the Canadian National Railways in the long haul trucking business.

Mr. GAZDIK: Yes, that is certainly correct.

Mr. MAGEE: Mr. Chairman, may I comment on this?

The CHAIRMAN: Proceed, Mr. Magee.

Mr. MAGEE: In respect of Bill No. S-33 we are not concerned with the operation of pickup and delivery services by the railways nor are we opposing them, or have we ever opposed the pickup and delivery trucking type of operation by the railways anywhere in Canada. Our only opposition in regard to railway truck line operations has been on long haul inter-city runs in competition with the trucking industry, and it does not involve local pickup and delivery operations of the railways.

Mr. FISHER: I have one other question I would like to put to you in connection with your stand in this particular matter. Did you make representations to the minister of transport in connection with this bill when it was being drafted or when under consideration?

Mr. MAGEE: Do you mean Bill No. S-33?

Mr. FISHER: Yes.

Mr. MAGEE: Yes, we sent a letter to the minister of transport about this bill on August 18, 1955, following the passage of the bill by the Senate.

I might say quite frankly that based on the policy which parliament had followed in regard to Bill No. 351 in 1955 and this little Bill No. Y-9 in 1956, we did not anticipate any great difficulty in having withdrawn from Bill No. S-33 the declaration that these trucks were for the general advantage of Canada. In fact, in 1955 we put our whole submission to the government of the day on the basis there must be an error in the bill; and, we were told yes, there was an error in the bill, that the C.N.R. made the error and they are going to take it out. We were advised that the bill was going to be amended in the committee and, quite honestly, that is what we thought was the situation today. That is why, I may say, we never made a submission to the minister until the bill was passed by the Senate.

Mr. FISHER: Could you put on record what the minister's reply was to you.

Mr. MAGEE: I would like to put on record, in whatever way you may see fit, the letter that we sent to the minister and the reply which was sent by Mr. Baldwin, because, at that time, Mr. Pickersgill was ill.

The CHAIRMAN: If you wish, would you read it into the record?

Mr. PETERS: Could it not be attached as an appendix?

The CHAIRMAN: I think it would be more appropriate to read the letter than have it introduced as an exhibit at this time.

Mr. MAGEE: I will read the reply, Mr. Chairman. It is dated September 24, 1964. It is signed by Mr. Baldwin, the deputy minister of transport and is addressed to me. It reads as follows:

> Dear Mr. Magee:
>
> Mr. Pickersgill has asked me to reply to your letter of August 18, suggesting that further consideration be given towards revising clauses 10 and 19 in bill S-33, an act to incorporate the Ottawa Terminal Railway, with a view to ensuring that the company complies with provincial laws in the operation of motor vehicles.
>
> Amendments along these lines were, as you know, proposed by your counsel, Mr. Julien Gazdik, to the Senate committee on June 18 and July 21, 1964. Testimony on these points was also given by representatives of the Canadian National and Canadian Pacific. The various amendments were considered by the committee, and the one dealing with the addition of the words "in and about the city of Ottawa" following the word "hire" in section 10(g) was approved. The Senate approved the bill as amended.
>
> The points which you have raised are important ones. In view of the attention given by the Senate committee to the various aspects of these very questions, however, I believe we must accept that they have received adequate consideration, although this does not rule out further consideration and possible amendment when the bill is before parliament.
>
> Yours very truly,
>
> (Sgd) J. R. Baldwin.

Mr. FISHER: As an indication, having read the Senate reports, I can only interpret that to mean there was no public indication on the written record of the Senate committee that there was serious discussion on section 19. It would seem to me that when they got down to clause by clause treatment they, in a sense, just raced right through.

Mr. MAGEE: I may say that we had no opportunity at the Senate transport committee hearings of replying to the statements that were made by the

railways. I raise this point because of the reference that has been made to the argument of the railways. The railways stated their position after our submission, and the hearing was quickly adjourned by the passage of the final clause, and we never had a chance to answer any of these points.

Mr. FISHER: I wanted to bring this out partly because of Mr. Rock's interjection and because I am confused in two possible ways. I am having difficulty seeing in this bill what the ministerial responsibility for it may be. I assume from the letter the minister has a responsibility but, in effect, the argument in the Senate and before our committee really has been carried not by any minister but by the parties who have appeared before us, the N.C.C., the Canadian National Railways and the Canadian Pacific Railway. It seems the Canadian Trucking Associations has raised an issue here, and it seems to me that if we depend solely on an interpretation in this matter from the parties I have mentioned, the N.C.C., the Canadian National Railways and the Canadian Pacific Railway, we are missing the person and the organization that has the prime responsibility to indicate the merit or the demerits of the Canadian Trucking Associations, the minister and the Department of Transport.

I myself feel that I do not want to go ahead with this question of clause 19 without having the straight and considered opinion of the counsel of the Department of Transport because, it seems to me, that this bill, by its nature, is the responsibility of the Department of Transport. And, it is for that reason I think we should have both Mr. Baldwin and counsel for the Department of Transport here to give us their views on the particular issue that has been raised. So far as I am concerned it is not good enough to have a case made in this particular case by what seems to me to be people who have not governmental responsibility.

The CHAIRMAN: I quite agree that many more people should be called and at one time or another there should be an expression from those who are responsible for the bill. But, in view of fact that counsel for the Canadian Trucking Associations has been in attendance I would imagine the committee would like to hear the representations of counsel for the C.P.R. and the C.N.R., and also representations from the N.C.C. After that I am sure we should have a full discussion. I think we might as well go through this point, which is most interesting, because so much hinges on it.

Now, gentlemen, shall we adjourn? What time do you wish to reconvene? If the house is in the same mood as it was yesterday I think perhaps we could convene earlier. Perhaps we could reconvene at 3 o'clock or 3.30.

An hon. MEMBER: Three o'clock.

An hon. MEMBER: Three-thirty.

Mr. CARON: I suggest 3.30.

The CHAIRMAN: We will adjourn to 3.30 this afternoon.

AFTERNOON SITTING

DECEMBER 8th, 1964.

The CHAIRMAN: Gentlemen, we now have a quorum. We have heard Mr. Gazdik and Mr. Magee from the Canadian Trucking Association, and I wonder if you want to proceed to question Mr. Gazdik further at this stage or if you would like to have the case made by the Canadian Pacific and Canadian National Railways before we go into the objections to the bill to find out what is the position of the railways on it.

Mr. CARON: May we proceed further with Mr Gazdik so we will know what he is talking about and then we can discuss it.

The CHAIRMAN: All right, they are at your disposal.

Mr. Gazdik and Mr. Magee, will you come forward, please. Mr. Hahn.

Mr. HAHN: Mr. Chairman, I have a couple of questions I would like to ask the witnesses in connection with their objection to the bill as it stands.

As I understand the evidence we received this morning, the witnesses gave essentially four reasons for objecting to the bill as it stands. They said that we are changing the status quo; that the railways now do a pickup and delivery service under provincial regulations; and that by implementing this bill we are going to change that to come under federal jurisdiction. This was one reason cited.

They also cited the precedents of Bill No. 351 and Bill No. Y-9 of a previous parliament when a change of this type was not accepted. They raised the following questions. Why should the federal government intrude, under clause 92, in a provincial area? Is this matter of sufficient importance to do that? Is pickup and delivery under federal jurisdiction warranted? Is this an important enough item to go under federal jurisdiction?

These may be very valid legal arguments, but to me they do not get down to the heart of the problem. It would seem to me that the only real reason why the trucking industry would object would be because of some competitive disadvantage that they would suffer if the railways were to operate a pickup and delivery service under federal jurisdiction while they had to carry on a competitive business under provincial jurisdiction.

I would like to try to find out, if I can, what are the differences in the regulations that would give the railways an advantage. If they were under federal jurisdiction, what disadvantages are there in the provincial regulations that would work against the normal trucking industry?

Mr. J. GAZDIK (*Counsel, Canadian Trucking Association*): I will try to answer this question. First, may I clarify something which this morning I am afraid, I may not have made clear enough and which was brought out very properly, by Mr. MacDonald.

At the moment, our contention is that all trucking, or pickup delivery if you wish, whether it is operated by any of the railways or by an independent trucker, is under one jurisdiction, and that is the provincial jurisdiction. This is not just by chance. This was done purposely. When the Motor Vehicle Transport Act was enacted dealing with interprovincial trucking it left administrative matters to the provinces and the provincial boards. Therefore, today, if any question of a licence comes up, a party who intends to do pickup or delivery has to turn to the provincial authority. However, the provincial authority may or may not exercise its authority; some authority is not yet exercised. For instance, in Ontario, there is the Ontario municipal act which leaves to any municipality the regulation of its own pickup and delivery and certain other matters "within the municipality and a three-mile area of land adjacent to it". There is an exception, however. If in this three mile radius there happens to be another municipality, then the other municipality also has the right to have its own licensing regulations; and if there is a pickup trucking operation between two municipalities, it is my submission that—and I think I am right in my understanding—that cannot be done by either of these municipality licencees. The party who wishes to operate between two municipalities has to turn to the Ontario highway transport board which administers the public commercial vehicle act, I believe, and which in itself, regulates these operations. Therefore, if you take the city of Ottawa only, there are in the city of Ottawa pickup services which are running only under authority of Ottawa municipal licences and probably it is fairly easy to obtain these. Consequently, I do not consider that it is really very much regulated. But once we arrive at this three mile radius, or once we arrive at an intercity operation, then we are right under the

authority of the Ontario highway transport board. This is the present situation. To that extent, the province of Ontario regulates interprovincial trucking, interprovincial pickup and delivery service.

When it comes to services between Ottawa and Hull, in my submission, this comes under the Motor Vehicle Transport Act. If it comes under the terms of this act, the operator will have to obtain authorization from one or the other or both provinces if both provinces require licences for the type of interprovincial operation referred to in the particular service. The result is that whoever operates trucking today has to go to one or another provincial authority for a certain licence to conduct this operation. And that applies, to some extent, to rates, charges, and to the quality of service. It is controlled.

Mr. HAHN: In terms of costs—this I imagine is what the truckers are concerned about—of operation, would an operator, operating under federal statute, be able to operate on a lower cost basis? Would he be able to avoid licensing fees which those under provincial regulations would have to pay, for instance?

Mr. GAZDIK: Mr. Chairman, I think this is a very difficult question to answer and I think you may find that there are shades of differences in the answer. My submission is that, theoretically, and in law, once you declare a trucking service within the federal jurisdiction, that trucking service does not have to comply, within law again, with any of the legal requirements of licensing or of buying a licence plate, if you wish, imposed upon trucking services by the provincial or municipal authorities. I think, it is the same as a railway engine which does not comply with any particular provincial regulation. I think there is no provincial regulation affecting it.

A truck is in the same position as a railway engine, I would think. Now that, of course, has one disadvantage, if the railways should take advantage of it. I admit that I do not know in this instance when they have taken advantage of that situation, in fact they have said many times that they "attorned"—this is the word that they have used—to provincial jurisdiction in many respects. And I say that we still buy licences, even though we do not have to, but we comply with the laws. That has been done several times. But, if that attornment changes at any time, if they decide to take advantage of it, then I think, in law, they would be in a position to operate these pickup and delivery services without complying with municipal and provincial laws. That is my submission.

Mr. HAHN: One final question; you mentioned licensing as one item which may have a cost implication for the trucker. Do provincial regulations regulate the rates that are charged by truckers? Do they regulate maximum loadings on vehicles, and other things that would affect the costs of the operation?

Mr. GAZDIK: I think, Mr. Chairman, I have to answer this in the affirmative although in general terms. Some provincial regulations—and I am talking now of the Province of Quebec, for instance—require the filing of rates and charges. They also require compliance with certain regulations regarding loading, safety and certain other matters. If anyone could operate outside of these regulations, our submission is that, competitively, he would have a tremendous advantage.

(*Translation*)

The CHAIRMAN: Mr. Caron.

Mr. CARON: Mr. Chairman, I believe that we, of the Province of Quebec, are a little touchier on the questions of the rights of the provinces than are the other provinces. We realize that in certain cases one should overlook such things and that it might be necessary under certain circumstances to forget about them. We want things to come about slowly. This may be the trouble

with Mr. Gazdik; he probably fears that if here, in Ottawa, we disregard the law, a provincial law, and especially clauses 91 and 92 about which we are so touchy, I believe that if we disregard the law, we will have gone beyond bounds and there will no longer be any limits. The Federal Government could go beyond the limits in every province and in all parts of Canada and I believe that this is a case where the carriers are perfectly in the right. Is that the main point?

Mr. GAZDIK: I think I can say yes to that question. I think that this is precisely what is worrying us terribly; up to now, a principle has been established, up to now a principle has been followed by the Ottawa government. If we start changing this principle for something as puny as the one we are discussing today, we fear that there will be no limits; this is what I maintain.

Mr. MATTE: What must a carrier do when he has to transport goods into another province? Must he have a permit from his province and a permit from the other province also, in order to carry the merchandise?

Mr. GAZDIK: I think that in reply to your question, I cannot answer for all the provinces, but I can give you an answer with respect of the provinces of Ontario and Quebec. A carrier should have the permits of both provinces, naturally; he must have the two permits. But this rule applies to all. But if an exception is made, if we accept this statement as such, we are making an exception and the result is simple. The result is that a certain portion of the trucking comes under the Federal Government and is free of any control. (*Text*)

May I add something, because I think this question raises the point Mr. MacDonald made this morning. I thought a great deal about it because I think he has an extremely valid point, when he says that we want to bring everything under one hat. Apparently we should agree and everyone should agree. I have looked up again this record from which we have already quoted and I find that the Department of Justice representative, Mr. Driedger, in connection with Bill No. 351, on June 3, 1955, made a statement. The statement really starts on page 297, but when you arrive at page 300—and I apologize for again taking certain excerpts but I do not want to bore you with the whole lot—there is an answer I think to his trouble. May I just read this answer? It refers to section 27, and section 27 in the Canadian National Act deals with highway transportation pickup and delivery service of the Canadian National. This is what he says:

> Now when we come back to 27 and assume that some of those operations are under provincial jurisdiction and some under federal jurisdiction, we get this result, that in so far as the operations are subject to provincial jurisdiction they are subject to provincial law and in so far as they are subject to federal jurisdiction, they are subject to federal law and that federal law is the Motor Vehicle Transport Act, which has provided the same kind of licensing system under the same conditions as exist under provincial law. So that parliament has in fact, if you like, by the Motor Vehicle Transport Act subjected carriers under parliament's jurisdiction to provincial law.
>
> That is the effect of it and if you combine the two, a provincial law plus a federal law you have in the result a provincial law applying to all the operations under clause 27.

If I take this statement and apply it to 10 (*g*) and 19, this is what I find: Clause 10 (*g*) without 19 would deal with the matter under one hat.

Everybody comes under the provincial jurisdiction. If I enact 19, I have taken out intra-provincial only, because I did not touch interprovincial, since interprovincial is already regulated under the Motor Vehicle Transport Act and therefore, the interprovincial remains at the provincial board. Ottawa-Hull

remains under the provincial board but Ottawa within itself, in a three-mile radius, Ottawa-Eastview, Ottawa and any of these places connecting within five or six miles, would be under federal authority, and therefore not provincial. No more one hat; a new jurisdiction, federal jurisdiction. And there I find that there is no control. There I find nobody who is interested in me. There I find that I am on my own. So, instead of doing and achieving what I think was hoped to be achieved by enacting 19 in the manner it is now, without the exception that we are recommending, we would destroy this one hat system and would create immediately two different jurisdictions, one provincial with its present regulatory authorities and another federal, which for the time being at least is not taken up and is not regulated. Hence, there would be an unbalanced situation and an inequality.

Mr. MACDONALD: Mr. Chairman, on this last point, I would put it to Mr. Gazdik that this does not follow in the least, and that the Motor Vehicle Transport Act is general legislation. This is particular legislation with regard to a particular regional area and therefore the particular would take precedence over the general, particularly in view of the fact that it is later in date and therefore the entire jurisdiction is lifted out from one of them to the extent that the Motor Vehicle Transport Act applies to interprovincial business, it is put under the terminal; to the extent that intra-provincial business, which has never been under federal jurisdiction, is covered, this also is put under the terminal.

(*Translation*)

Mr. CARON: Since when does the particular have precedence over the general?

Mr. MATTE: It is the general that comes first.

(*Text*)

Mr. MACDONALD: I am saying, that the intra-provincial, that is within the province of Ontario, which has never been under federal jurisdiction, is by the declaration for the general advantage of Canada thereby put under the federal jurisdiction of the terminal; in other words, there is no division of jurisdiction as you suggested. I would like to ask you one thing because I am not sure and I want to get it perfectly correct from you. Are you asserting now that the railways in their pickup and delivery business are subject to provincial licensing?

Mr. GAZDIK: Sir, I never knew it otherwise. I do not know, maybe it is otherwise, but if you look up the parliamentary records that I have quoted from this morning, and if you can believe Mr. Marler when he stated to parliament what the purpose of the act is, and if you can accept his word, and I am ready to accept it on what the purpose of the act is, then you can accept that he never had any intention to take that out from the provincial field, and I think you must come inevitably to the conclusion that it is provincial.

Mr. MACDONALD: I am not talking about the general trucking business, but—

Mr. GAZDIK: No, no, I mean the pickup.

Mr. MACDONALD: —strictly the pickup and delivery situation that we have here. You are saying that this is covered by the provincial jurisdiction now?

Mr. GAZDIK: I think so, sir, because I think that is what Mr. Marler said. I quoted in full and you will perhaps look it up yourself. Mr. Marler said:

It was never my intention—

I am reading now from page 4076 of *Hansard* of Tuesday, May 24, 1955.

> —that the declaration contained in the bill to the effect that the transportation works were works for the general advantage of Canada should extend to cover the highway transportation activities.

Highway transportation activities are described by him again where he says that this is designed primarily only in order to regularize pickup and delivery. I think we are talking about the same thing. He in fact says Section 27 is pickup and delivery only plus certain other things, substitution, that is highway and he also says, This is provincial. He says it. Now I think that makes sense.

Mr. MACDONALD: So, you are saying that the provincial licensing authority with respect to the two railways applies specifically to the railways' pickup and delivery business.

Mr. GAZDIK: Yes, Mr. Chairman I would answer that. I am not saying both railways. I am familiar with the Canadian National and I discussed the Canadian National act. I wish that those who are representing the Canadian Pacific would explain just exactly what their position is. I cannot quite answer it, but I think that under the Railway Act they would still remain under the provincial jurisdiction. But I am not as certain about it. As far as the Canadian National Railway is concerned, I have no doubt at all, not on my authority but on that of Mr. Marler.

(*Translation*)

Mr. CARON: We said this morning that it could affect the transport rates of merchandise. Have you not already had to complain, despite the fact that the law comes under the provinces, that the rates were too low in certain fields of transportation? Let us say, for instance, with respect of beer and preserves.

(*Text*)

Mr. John A. P. MAGEE (*Executive Director, Canadian Trucking Association*): Perhaps I could answer that, Mr. Chairman. There have been some complaints about the undercutting of rates by truck lines owned by the railways. I cannot at the moment pinpoint them, but I certainly recall that there were those complaints. Beer was one, and canned goods.

Mr. CARON: I think the rates were much lower than the ones the trucking industry could charge for transferring those goods.

Mr. MAGEE: That was the contention of the trucking industry.

Mr. CARON: So, it was under provincial jurisdiction at that time and it was too low. How would it be, then, if it should come under federal jurisdiction without any taxes or licensing to pay to the province?

Mr. MAGEE: Well, it would be a very serious situation. The situation at the moment, of course, is that the railways "attorn", as they put it, to the provincial jurisdiction, even if they claim they are not subject to it. We are not interested in any arrangement whereby any system of transportation says: "As a courtesy, we will obey a law to which we are not legally subject." That is not the proper way to organize the transportation policy of Canada. We say that all motor vehicle operations for hire should be dealt with by parliament in the same way. That is all we are asking here. We have not asked that there be any interference whatever with the pickup and delivery operations of the two railway companies in this area. We have never suggested it before and we do not suggest it now.

Mr. BARNETT: Mr. Chairman, I would like to deal with the earlier argument in connection with the application of the Motor Vehicle Transport Act. I have not got it before me and I freely confess that I have not looked at it since it

went through parliament in 1954. I must say that I fail to follow that we had anything more than an assertion that the provisions of the Motor Vehicle Transport Act in respect of interprovincial traffic would override the provisions of declaring something to be to the general advantage of Canada. In other words, they would create two jurisdictions as this bill is drafted, one for traffic within the city of Ottawa and another for traffic travelling across the river to Hull. Now that assertion, if I heard it correctly, was made but, as far as I am aware, no indication was given or argument made with reference to the terms of the Motor Vehicle Transport Act that it was intended to override the kind of jurisdiction which has been given to the railway companies, in the Railway Act and other places to operate works and undertakings to the general advantage of Canada. Now, I do not think an unsupported argument that we would create two jurisdictions is really adequate to the situation.

Mr. MAGEE: Our point is that the intra-provincial pickup and delivery operations of the railway companies are the ones which will be transferred from provincial to federal jurisdiction which would not be the normal constitutional state in the rest of the trucking industry. I think the quickest way we can sum up our whole position to the committee is to again quote the statement made in the House of Commons on June 17, 1955, by Mr. Marler the minister of transport at the time which is our position on this particular matter. We happen to agree with the explanation he gave to the house and I would like to read this statement. It comes from page 4920 of *Hansard* of June 17, 1955. Before the minister spoke, Mr. Drew had been speaking and Mr. Marler said this:

> Mr. MARLER: I think that is the fourth time the Leader of the Opposition has spoken of this bill as having an undisclosed purpose.

This is Bill 351:

> All I can say is, and I say it for the fourth time following the example of the Leader of the Opposition, that there is no undisclosed purpose concerning clause 27 of the bill. I have said on four occasions—this will perhaps be the fifth—that the purpose of clause 27 is to enable the railway company itself, the parent company, and every railway company comprised in the national company, to exercise the power necessary to carry on delivery and pick-up services in the metropolitan centres, and to carry on bus or transport services in substitution for rail lines which are abandoned.
>
> There is no undisclosed purpose. I think I have made that point abundantly clear on each occasion on which I have spoken in connection with this bill. It is not sufficient merely to say that Canadian National Railways may exercise these powers through its subsidiaries. I explained, I think on second reading, that particularly in the case of rail line abandonments it was the wish of the national company itself that it be in a position to operate bus and transport services where it is necessary to abandon rail lines, and to be in a position in proceedings before the board of transport commissioners to give in the name of the national company an undertaking to operate such services in lieu of rail lines being abandoned.
>
> The second point is the concern which has been expressed by the Leader of the Opposition as to whether the Motor Vehicle Transport Act is going to be applicable to operations carried on by the national company or any other railway company forming part of the national company pursuant to clause 27 of the bill. It seems to me that the situation is perfectly clear. If the operations carried out are carried out wholly within the limits of a province, then it seems to me there is

no doubt that the operations would be a local work or undertaking which under section 92 of the British North America Act, clause 10, falls within the limit of the legislative power of the provinces.

There is of course the exception contained in paragraph (a) of clause 10 of the section which speaks of interprovincial works, and I shall come to that in a moment. Then there is also the exception contained in paragraph (c), where works which are local and which are declared to be for the general advantage of Canada would not fall within the jurisdiction of the provinces but would be under the jurisdiction of parliament. With respect to the exception in paragraph (c), I can only say that clause 18 of the bill makes it expressly and explicitly clear that any operations carried out under clause 27 would not be for the general advantage of Canada. It seems to me that it is abundantly clear that operations which are carried out wholly within a province therefore do not fall under paragraph (c), and if they are wholly within the limits of a province they must necessarily fall within provincial jurisdiction under section 92 of the British North America Act.

There remain the interprovincial operations which may be carried out by the C.N.R. under clause 27. I think it is perfectly clear that whether they be carried out by the C.N.R., by another railway company or by a company entirely outside the provisions of the bill, if they are interprovincial operations they will be subject to the provisions of the Motor Vehicle Transport Act.

Therefore the situation is this: Either the operation must be under provincial jurisdiction because it is carried out wholly within the province, or it must be interprovincial because it is carried out between points in two different provinces, in which case it would be subject to the jurisdiction which the provinces now have under the terms of the Motor Vehicle Transport Act. In these circumstances, Mr. Speaker, the purpose of referring the bill to the committee of the whole in order to delete clause 27—

This is what Mr. Drew wanted

—obviously fails. We have at all times said that we wished the operations under clause 27 to be carried out subject to the rights of the provinces and subject to their jurisdiction. It seems to me that we are effecting that under clauses 18 and 27 of the bill, and that no conference could add further to the bill or make it clearer that the rights of the provinces are being safeguarded in every respect.

Mr. BARNETT: Well, Mr. Chairman, I listened as carefully as I could to the quotation from a speech made by Mr. Marler in a debate which, of course, as we are so often told, does not mean that his interpretation of what the law meant was necessarily the right one.

Mr. MAGEE: That is true, sir. He said that it was from a conference with the officials of the Department of Justice and Mr. McMillan, the vice-president and general counsel of the Canadian National Railways, and that it was the best summary of the situation.

Mr. BARNETT: However, the point I wanted to raise was that, in listening to the quotation, it did seem to me that Mr. Marler was dealing with a situation different from the one that we have before us in this bill. He was dealing with the question of the establishment by the Railways of substitute bus or truck services for railways and not with the matter of pickup and delivery services which are incidental to the operation of the railway at its terminals.

I am wondering whether I am not right in saying, that Mr. Marler was really dealing with a different order of consideration from the one we have

before us in the bill. The parent company, and every railway company comprised in the national company, was given the power necessary to carry on delivery and pick up services in metropolitan centres and to carry on bus services in substitution for rail lines which are abandoned. So, there were the two elements contained in clause 27: the purely pick up and delivery operations in the municipal area and the type of truck or bus operations which would be put on where rail lines outside of the city would be abandoned.

Mr. Chairman, I will not pursue the question any further, except to say that, having done some reading of statements made before the committee in the other place, I have the impression that the railways do not altogether agree with the interpretation that has been given of the existing law.

(*Translation*)

The CHAIRMAN: Mr. Fisher.

Mr. MATTE: Forgive me, please. The carrier of the Canadian National who is under contract to deliver goods and who works all day must have a delivery permit from the Transportation authority. The Canadian National who deliver goods on their own behalf should also be subject to the same law. Are they, in fact?

(*Text*)

The CHAIRMAN: Is that a fair question to ask this witness? Should you not ask that of the C.N.R. witness?

(*Translation*)

Mr. GAZDIK: I cannot say exactly what the Canadian National are doing. I know that if the Canadian National are under provincial jurisdiction, they should. Now whether they do so or not, I cannot say. If an ordinary carrier comes under provincial jurisdiction he must, normally, in the province of Quebec, obtain a permit. As I said before—in the city of Ottawa—if he operates within a radius of three miles, I don't believe so. However, if he does more than that, if he operates between the two municipalities—Ottawa and another—even in the Province of Ontario, I think he must obtain a permit. I believe the same law applies today to all carriers, including the Canadian National and the Canadian Pacific.

Mr. CARON: In crossing over to Hull, even with the Bill in its present form without my suggested amendments, would the Canadian National or the Canadian Pacific be obliged to have a provincial permit on the Hull side?

Mr. GAZDIK: I believe that such an operation without the amendment, that is the provincial operation, would come under the Motor Vehicle Transport Act and according to this law, they would have to obtain a permit from the Quebec Transportation Commission. Now, I am of the opinion that they must obtain a permit from the Ontario authority at the interprovincial level only. In either case they must obtain a permit from the provincial authorities.

Mr. CARON: It has been established that the Hull side has simply been forgotten. It has been totally overlooked in the Bill, inasmuch as they would be obliged to obtain a special permit on the Quebec side; this they would not be obliged to do if they lived on the Ontario side.

(*Text*)

Mr. FISHER: I would assume that Hull is considered in and about Ottawa.

Mr. CARON: I think, Hull is considered being, I would not dare say what I think, over here.

The CHAIRMAN: Mr. Fisher, any questions?

Mr. FISHER: Yes. I want to refer Mr. Gazdik to the statement made by Mr. Spence before the Senate committee, on page 49, where he said:

> Now, as I said before, the two railways themselves have the power to provide pick-up and delivery services and these other services to their customers. That power is exercised under federal jurisdiction for the general advantage of Canada.

I am not going any further with what it is, but obviously Mr. Macdougall's contention was that with respect to the pickup and delivery, the trucking association has not any quarrel with the right of the railways to provide that service. Their contention is that this is provided for under the general powers to the general advantage of Canada and that they have this right now.

One point bothers me and I have not really got it clear in my mind. I assume you have a rebuttal or a counter-argument to this point made by Mr. Spence and I would like to have it.

Mr. GAZDIK: Mr. Chairman, I read this statement and I think that perhaps what we could say about it may be that it is right as far as it goes. But it does not go far enough and it does not clarify all the implications of the questions. Perhaps some of these operations can be considered federal; I think that all those which are interprovincial can be said to be federal, and in fact they are federal. I think Mr. Driedger has made a case, very properly. They are federal; however, under the act, the federal parliament delegated its power to the provinces.

Mr. FISHER: But, Mr. Macdougall and Mr. Spence did not get into that at all.

Mr. GAZDIK: I am afraid not, but that is the point I tried to clarify today. I think that the statement may be right as far as it goes, but it cerainly does not go far enough.

Mr. FISHER: Yes. It seems to me, Mr. Chairman, what we have to do is to have Mr. Spence and Mr. Macdougall before us to answer some questions.

The CHAIRMAN: Have you any questions?

Mr. MACDONALD: Before the witness leaves, just one brief question. I think your position is that you have no objection at all to the new company being given complete corporate power to run a pickup and delivery business. I guess your real contention is that if it has this corporate power it should be under provincial—

Mr. GAZDIK: That is perfectly correct, sir.

The CHAIRMAN: Now, I am going to call on Mr. Macdougall and Mr. Spence. Mr. Macdougall is from the C.N.R. and Mr. Spence from the C.P.R. Well, gentlemen, we will start with Mr Macdougall and after, of course, Mr. Spence who is with the C.P.R. and who wants to make his own statement to the committee.

Mr. MACDOUGALL: Gentlemen, I do not propose to make a detailed argument similar to that which was made before the Senate committee. I think that arguments stands on the record by itself, but I would like to deal with this main point which has been raised by Mr. Gazdik with respect to the pickup and delivery power. I think it is important that we make the distinction between pickup and delivery services and over the road highway services.

As I listened, to Mr. Gazdik, I thought that there might be some confusion as to the import of the legislation unless one keeps these two clearly in mind. In the first place, the bill before you—and that is the matter which you have to deal with—does not make any attempt to give the Ottawa Terminal Railway Company any powers that I would call over the road highway service powers. There is no suggestion that it wants powers to operate in that fashion. The only power that it asks for in 10 (g) is the power to operate pick and delivery services. Now, my proposition is that Canadian National Railways—Mr. Spence

will speak for the Canadian Pacific Railways—and Canadian Pacific also today both operate pickup and delivery services in all the major cities in Canada, and the operation of those services is performed under powers which both companies obtain as highway powers ancillary to their normal corporate railway powers under which they operate. This is reinforced by the provisions of the Railway Act. The definition section, section 2, subsection 9 of the act speaks specifically of express, which is one of the services performed by railways and it speaks there of collecting express and delivery tolls. Also subsection 32 refers to tolls and rates for freight. There again you see the references to delivery of goods, transporting, handling, caring for them, and so on.

So, the first point is that you must, I suggest, make a distinction between pickup and delivery highway services and over the road highway services. Put over the road services aside and think only of the pickup and delivery.

In the establishment of this company, our endeavour has been, in the drafting of this act—and I think it does accomplish this—to give this new company the power to do pickup and delivery service in and about the city of Ottawa, in the Ottawa area. I suggest to you that this power is no more and no less than the power presently used by both Canadian National and Canadian Pacific Railways to do pickup and delivery service in and about the city of Ottawa today. I think you have heard this evidence, and if you have not, it is a fact that the pickup and delivery services performed by the railways here in Ottawa today are done by Canadian National Railways for their own traffic and by Canadian Pacific Railways for their own traffic. Our intention is, when this terminal company is activated, that for the moment, at least, we will continue to pickup and deliver by Canadian National and Canadian Pacific Railways, the same as we are doing today. But, we considered it prudent and reasonable that, in the formation of this new company, looking ahead into the future, it should have the same powers as the Canadian National and the Canadian Pacific Railways, namely, to pickup and deliver traffic in the Ottawa area. The legislation, I submit to you, will do that; it will give this company the same power as the Canadian National and Canadian Pacific Railways have.

Now, my authority for the suggestion that Canadian National Railways performs its pickup and delivery powers under its general ancillary powers, and under the general powers of the Railway Act, has been confirmed in a number of instances. In the first place, this general proposition has been confirmed by the courts in a number of cases. The one which I referred the Senate to was an Alberta case, *Grand Trunk Railway* vs—*James* and it followed a number of English cases which made it clear that one of the ancillary powers of railway companies is to pick up and deliver, not generally, but their own traffic. They go out and seek traffic and they have the right, according to the interpretation placed upon their powers by the courts, to go to someone's home or his place of business with a dray or with a truck—they have been doing this for a hundred years or more—to pick up that traffic and bring it to the station, put it aboard the train, and take it to its destination. And, when the traffic, or it might be a passenger, arrives at its destination, to see that traffic is delivered to its final destination, which might be a warehouse or it might be a man's place of business.

So, my first point is that Canadian National does have this ancillary power and that it has exercised its pickup and delivery services in Canada under that power. It does not hold any licence from any provincial body to do pickup and delivery services; it has never applied to the Ontario board or the Quebec board or any other board to get a pickup and delivery licence; it does not hold any such licence, and it performs these services and has done so for many many years under this general power.

Actually, in Quebec, in 1941, the Quebec Public Service Commission requested both Canadian Pacific and Canadian National Railways to show cause why they should not be licensed to do pickup and delivery service. The case was heard before them at a public hearing, and this argument, based upon this James case and the other cases which give the ancillary powers, was put before the Public Service Commission and they issued their judgment or finding that they did not have the power to regulate pickup and delivery of the railway companies because these powers were inherent in their general railway powers. They were federally incorporated and, therefore, they did not come within provincial jurisdiction.

Therefore, my proposition is that Canadian National—and Mr. Spence will speak for Canadian Pacific—does perform these services today, in Ottawa and elsewhere, in accordance with that power. It is quite true, as Mr. Gazdik said, that the provinces do regulate pickup and delivery services but of the truckers, not of the railways. I imagine that there are pickup and delivery services that are performed in Ontario and in Quebec which are licensed by those boards but they do not license the railway pickup and delivery services simply because, as I say, this is regarded as an inherent part of federal railways operations. The railways have the right to pick up and deliver its own traffic.

Actually, you can imagine, gentlemen, if there was a hearing before a Quebec or Ontario board at which the railway company was required to apply for a licence, it would be most objectionable, I would suggest, that any trucker should come in and suggest that they should not be given that licence. If they were permitted to say that they would then be saying that—despite the fact that the railway goes out and obtains traffic, and despite the fact that it has obtained, against its competitor the truck, traffic to take on the railway—the board should deny the railway the right to go to the man's place of business and get the traffic and bring it in by its own vehicles or by its contractor and take it on the railway. The trucker would be saying: Do not let the railways gather in their own traffic, do not give them a franchise to do that; we have truck services, let us go and do the pickup and delivery. But the truth of the matter is that, in the competitive world we live in today, the railway operator does not want the trucker to go and pick up his traffic for him unless be decides, in a matter of economics and in the matter of the general operation in the area, a better operation can be made to serve the public by hiring the trucker as its agent to go and pick up the goods and bring it to the railway station.

So, to suggest that a trucker should have a right to complain that a railway has not got the right to go and pick up its own traffic and handle it itself, from and to a point where it gets it to the point where it actually delivers it, I submit is wrong. I submit that is the basis under which this power has always been considered to rest with railway companies. Now, that has nothing to do with over the road trucking, and I have not been talking about over the road trucking. When we come to that, an entirely different situation appears. The problems which arose at that time from section 27 of the Canadian National Act, about which Mr. Gazdik spoke, were due to the fact that the railways were getting into a position where they were coming before boards and asking for permission to abandon a railway line, and the board was saying: "Well, what is going to replace this; are you going to provide a highway service to replace it?" The railways had to say: "We have no power to do that; we cannot give any assurance that we will."

Again, there has occurred in the competitive field the problem of coordinating rail and truck in some areas. Here again, the railway company did not have the power to do this. If you look at section 27 carefully you will see that it is not an attempt to spell out every power of Canadian National's ability to operate a truck on a highway. It gives a specific power to obtain, lease or

pay in any other way, trucks and vehicles to perform services in conjunction with or in substitution for rail services. These were specifically to deal with the problems of the day that were occuring at that time.

The substitution of highway services for abandoned lines, where we were doing that, was to enable the railway company to put on a truck service that would take traffic perhaps 30, 40 or 50 miles into some railway station to give a service in conjunction with the railway service. I suggest to you that that is the sum and substance of what was being dealt with, and that is the purpose of section 27.

I think it was quite proper, following the discussions that took place, for the exceptions from the declaration of "the general advantage of Canada" to have been given because Canadian Pacific has no powers, as I understand the situation, to operate trucks over the road. Any trucking they do over the highways is done by subsidiaries who have such power. Canadian National, except for the limited power given by section 27 to perform a highway service over the road in conjunction with or in substitution for a railway service, does not have any general highway powers to put on highway services over the road; and it performs such services by means of subsidiary companies which have that power. So, you have this situation of the difference between over the road services and the pickup and delivery. Again, I say the company referred to by Mr. Gazdik, the Grand Falls Railway Company in Newfoundland, is a perfect example of the principle—and I think it is a correct principle —of having a company incorporated to take over the rail operations of the Anglo-Newfoundland Development Company in Newfoundland.

In the act, corporations were given specific highway powers which could enable them to perform highway services over the road anywhere in Newfoundland. So, quite naturally, when they were dealing with that bill they excepted those from the declaration of "the general advantage of Canada", because they were not talking of pickup and delivery services, they were talking about general over the road trucking in competition with the trucking industry.

In this connection we have taken the position, I think, in our company that we are not anxious to compete unfairly with the trucker. We are quite prepared, as Mr. Gazdik pointed out, to "attorn to the jurisdiction of the Quebec board or any of the other provincial boards, to accept the licensing laws, the loading laws, and all these various other things. So we do not attempt to put ourselves in a position of some advantage over the trucker. We are prepared to meet him on even ground, and we do meet him on even ground; but he is a hard competitor, and we respect that; and we compete with him in the same manner.

Our pickup and delivery services, in my view, are services which we perform and have performed from the dawn of the railway industry as ancillary to our railway power to pick up and deliver traffic.

We are not asking for an exception for this Ottawa Terminal Railway Company, nor are we asking for some different treatment. We are asking that it get exactly the same powers as Canadian National and Canadian Pacific —powers for pickup and delivery. Some suggestion was made that, by doing this, there is going to be duplication of control. I suggest to you that exactly the opposite will occur. If you do what Mr. Gazdik suggests, you will get duplication of control. If you act according to this bill as it is presently written you will not have that anomalous situation.

Let me just explain my point. Canadian National today comes under federal control for its pickup and delivery services. It is not performing pickup and delivery services under a provincial licence. The provincial boards have even refused to consider that they have power to issue licences for pickup and delivery. These services are performed under federal control.

What is the federal control? It is the control of parliament and the control of this committee. It is true there is no administrative board set up to control the pickup and delivery by Canadian National and Canadian Pacific, but the control that exists, I suggest, is the control of parliament. If the Ottawa Terminal Railway Company's bill is passed as it is drafted, the same control will be available with respect to any pickup and delivery operations which it may perform: namely, federal control and the control of parliament.

If you were to accept the proposition made by the truckers, you would have the pickup and delivery operations of the Ottawa Terminal Railway Company excepted from federal control, but you would give control to the provincial bodies—who disclaim that they have any right to exercise the enfranchisement of pickup and delivery services by a federally-incorporated company. If they were to take the power to give licences to the Ottawa Terminal Railway Company for pickup and delivery, you would have the railway powers generally under federal control and you would have this truck power under provincial control.

I leave it to Mr. Spence to tell you of the possibilities that exist in that type of a situation. The difficulties would be not so much for the railways as for the shipping public.

So I come back to my point that you presently have both major railways, Canadian National and Canadian Pacific, under federal control for their railway services and for the ancillary services they perform by pickup and delivery. We ask for exactly the same situation for the Ottawa Terminal Railway Company—federal control of its rail operations and of its pickup and delivery—so that the three would be exactly the same.

Mr. FISHER: What is federal control? It seems to me, Mr. Macdougall, that you may have federal jurisdiction: but what is federal control? It seems to me there must be an agency or a department that is responsible for pickup and delivery? What is it?

Mr. MACDOUGALL: What is control? That is a matter of semantics. That there is no agency like the provincial highway carrier board I am quite ready to admit; this is just the fact. The control would be the control of parliament, as an act of legislation dealing with this company. As far as Canadian National is concerned, I think we have a considerable amount of control of our operations, part of which would be with respect to the Ottawa Terminal Railway Company as a part-owner.

Mr. BARNETT: Does the board of transport commissioners enter into the picture in this connection in any way?

Mr. MACDOUGALL: Yes, they enter into the picture in a way. For instance, they are concerned with our express services for which we have pickup and delivery limits, but we operate in various municipalities. We also have freight pickup and delivery limits. Our tariffs, which include pickup and delivery where pickup and delivery is performed, are filed with the board of transport commissioners. This is shown in our tariffs and is revealed there. These are filed subject to all rights of the board of transport commissioners to suspend them or to deal with them in accordance with the law. Applications are made to the board of transport commissioners to extend the pickup and delivery limits in some cases. These have occurred. So, with respect to pickup and delivery, there is a connection with the board of transport commissioners. It is not a large matter; I do not know of many cases that have ever arisen, but, nevertheless, it is all covered in the rates, and the rates are filed.

Mr. CARON: You said a while ago that as a result of the new act, you would have no more and no less power in the city of Ottawa than you now have.

Mr. MACDOUGALL: Yes.

Mr. CARON: Then would you be ready to accept an amendment such as that which Mr. Gazdik suggested a while ago?

Mr. MACDOUGALL: No. because I do not think his amendment accomplishes that. I think his amendment, as I said a moment ago Mr. Caron, would create confusion because you would have some possibility that pickup and delivery operations of this company would be under a provincial board, if that board decided to take over that jurisdiction, but such has not been the case for Canadian National or Canadian Pacific to date.

Mr. CARON: Did they create confusion in 1955 when they passed section 27? They changed it, and everybody seemed to be satisfied at the time.

Mr. MACDOUGALL: I think if you would read the whole of the explanations of section 27, you would find they were not really thinking of pickup and delivery services there at that time. They are mentioned in *Hansard*, but if you read the whole story of section 27 and the whole of the Canadian National bill at that time, you will see that they were dealing with the problem, as I explained earlier, of the inability of the railway company to make any kind of guarantee that it would give a service in substitution for any rail services that were abandoned. This was one subject which prompted the inclusion of this power at that time.

Another discussion that was active at that time was on the matter of having highway services in conjunction with railway services, so that you could have traffic going partly by highway and partly by railway, with the railway companies performing the highway service, and they had no powers to do this. Section 27, in my judgment, was established to empower them to perform such services. If you will read it carefully you will see that is as far as it goes.

Mr. CARON: Have Canadian Pacific and Canadian National not bought some trucking companies in the past two years?

Mr. MACDOUGALL: Yes.

Mr. CARON: So you are in complete competition with the trucking industry in this matter?

Mr. MACDOUGALL: Mr. Caron, this is what I was saying earlier. There is a distinction between pickup and delivery and the over-the-road services. Those trucking companies do not do pick-up and delivery. They are over-the-road services companies.

Mr. CARON: But they do some pickup service.

Mr. MACDOUGALL: It may be that they might act, as any carrier could act, as an agent of both railway companies to do their pickup and delivery. If they were to decide that they would rather a contract carrier do it, than doing it themselves, it could be that we might contract with a subsidiary rather than with XYZ trucking company. But those trucking companies are basically over-the-road truckers.

Mr. CARON: And they are licensed by the provinces?

Mr. MACDOUGALL: Indeed, and they come under provincial jurisdiction. We have no quarrel with that at all.

Mr. CARON: And the pickup service you operate at the present time has never been controlled by the provinces since the railways existed?

Mr. MACDOUGALL: I know of no such cases since the railway existed.

The CHAIRMAN: Mr. Peters.

Mr. PETERS: Mr. Macdougall, is this the reason why a Canadian National and Canadian Pacific express truck can park or double park on main streets where other trucks cannot?

Mr. MACDOUGALL: I do not know of that situation.

Mr. PETERS: I can tell you that in a great number of towns, Canadian National and Canadian Pacific violently abuse the traffic regulations of municipalities. I have often wondered why no recourse was taken against them. This "general good of Canada" would really exempt them from any responsibility?

Mr. MACDOUGALL: No, I cannot agree with that Mr. Peters.

The CHAIRMAN: I do not think they are the only ones.

Mr. PETERS: Timmins is an excellent example. They always double park on the main street. There is an alley behind all the main business places, but they never drive down there. They always park on the main street and they double park. I know because we tried to lay charges against them. You cannot lay charges against them.

The CHAIRMAN: Mr. Fisher.

Mr. PETERS: I am curious if this is what Mr. Macdougall means by not being under federal licence. I do not know that the trucks carry a provincial licence plate.

Mr. MACDOUGALL: I was talking only of the franchise to carry goods between certain points.

Mr. PETERS: You said that they did not come under provincial regulations.

Mr. MACDOUGALL: I said they do not come under the regulations of the provincial motor carrier board which gives licences to operate on certain routes or in certain areas. I was not thinking about the licences on the trucks or the regulations dealing with weight or dealing with safety or things of that kind.

Mr. PETERS: How would they come under municipal regulations if not voluntarily? Trains do not stop at railway crossings because of the Railway Act. They always have the right of way.

Mr. MACDOUGALL: The trains?

Mr. PETERS: Yes, because of the Railway Act. Does this act give the carriers similar rights?

Mr. MACDOUGALL: No, I do not think so.

Mr. PETERS: Does it give them similar licence?

Mr. MACDOUGALL: No, I do not think so.

Mr. PETERS: Do you say that it does not?

Mr. MACDOUGALL: I am a little confused by this line of questioning.

Mr. PETERS: I am trying to get clear in my own mind, just what the regulations are that would change if you changed the licensing effect.

Mr. MACDOUGALL: Let me put it this way, Mr. Peters. I do not think we have anywhere ever taken the position that, because we are a federal railway we are not subject to traffic laws, that we do not have to stop at stop signs or obey the safety regulations and things of that kind. We have not even inquired whether or not the law would allow us to flout these rules of society. We have always obeyed them and we have not even looked to see whether or not legally we might go against them. Our policy is not to go against them. Our policy is to comply with all those things. This is natural and sensible.

Mr. PETERS: Is it your contention then the licensing you are talking about is only the licensing that would grant you a franchise for a specific type of pickup? This pickup is granted, in your opinion, by the Railway Act and this is the licensing you are talking about?

Mr. MACDOUGALL: If the ordinary trucker, Mr. Peters, wants to perform a pickup and delivery service in the City of Ottawa, subject to the exception in the act which Mr. Gazdik mentioned—namely, that you do not have to do it

if you are operating within three miles of the corporate limits—he would have to go to the Ontario board and seek a licence to do pickup and delivery. Our position is that we do not have to do that.

The CHAIRMAN: Mr. Fisher.

Mr. FISHER: I am trying to put your argument as simply as I see it, Mr. Macdougall.

In effect, clause 10(g) gives you the authority to operate a pickup and delivery service. But it must be reinforced by clause 19 in order to keep you clear of having to meet some kind of provincial requirements insofar as licensing is concerned.

Mr. MACDOUGALL: I do not think I put it that way, Mr. Fisher. It is not a question of keeping us clear of it, because in the first place, as I explained, the provincial authorities have declined to exercise any control over the pickup and delivery services performed by federal railway companies.

Mr. FISHER: If this is the case what is the advantage of keeping clause 19 as it is rather than accepting the amendment that has been proposed which will write in the fact that 10(g) is exempted from this "general advantage of Canada"?

Mr. MACDOUGALL: Well, I think the principal advantage is that if we are right—and I say we are right—that the federal railways operate their present pickup and delivery services under federal control and not under provincial control, we wish this company to be in no less a position than that.

We wish them to be in the same position as Canadian National Railways and the Canadian Pacific Railway. If, for instance, this amendment were passed leaving aside the question whether the provincial authorities would assume the jurisdiction or not, that would mean that the federal power had no jurisdiction.

I would suggest the next step would be that the trucking industry, who are the competitors, would be endeavouring to change the situation with respect to both Canadian National's and Canadian Pacific's inherent right to do pickup and delivery.

Mr. FISHER: So, is this case, the fact that the pickup and delivery service is declared to be to the general advantage of Canada would keep you from getting involved in that kind of a contest.

Mr. MACDOUGALL: I think so. Here are the facts of the situation as it is. It would not change the current situation. It would not make the situation any different. It would not increase it or decrease it. It would leave the situation as it is.

Mr. FISHER: In the Senate Committee Mr. Spence mentioned section 17 of the Canadian National Pacific Act. I am somewhat perturbed by this as this act is due to be wiped out, as I understand it, by the proposals that are before parliament. I want to ask Mr. Spence the reason why he brought this in at the present time.

Mr. SPENCE: Well, Mr. Fisher the purpose of my remark there was to indicate that parliament itself had contemplated at that time that the railways would engage in trucking operations as well as rail operations. It was not a completely foreign question to parliament.

Mr. FISHER: That, it seems to me, blurs the distinction that Mr. Macdougall has given us between over the road services and pickup and delivery services. I mean I can follow his argument much more clearly than I can yours.

Mr. SPENCE: Well, mine was primarily based really on Section 315 of the Railway Act, which I quoted at that time and I pointed to subsection 1(e), which provides that the company shall, according to its powers:

> furnish such other service incidental to transportation as is customary or usual in connection with the business of a railway company, as may be ordered by the board.

Really, all the railways are talking about here, and all we maintain clause 10(g) speaks of is other service incidental to transportation, as is customary and usual in connection with the business of a railway company. All we want to do is to perform railway business.

Everyone knows that the railway train cannot be drawn up to the door of every shipper. We have to pick up the shipper's goods and take them to the terminal and ship them off by rail. At the other end we have to take them off the train and deliver them to the consignee's door. That is all primarily and basically railway service. That is all we are asking for here. We are merely asking for leave to perform our railway service. It will be the Terminal Railway Company itself. This is the sort of thing we do ourselves. The parent companies do it now. As Mr. Macdougall said, the Canadian Pacific has no power to operate trucks over the highways. The Canadian Pacific Railway Company itself, when it wants to go in for trucking operations on highways acquires a trucking company that is under provincial jurisdiction and has all the proper licences and power. But we do have a duty under the Railway Act to furnish service to our rail shippers by picking up their goods and delivering them at their door, and that service is incidental to transportation. That is all we are discussing here. That should obviously be under federal jurisdiction.

I do not mean that we want to be able to send trucks out without licence plates on them to deliver these goods. As they go out on the roads, even though they are under federal jurisdiction, they have to comply with local regulations and traffic laws. No one would ever question that. The thing that I am concerned about—I think a mountain has been made out of a molehill—is that small incidental railway operations would be put in a position which does not exist anywhere else in Canada.

Consider the extraordinary legal consequences and problems which would arise if this pickup and delivery service were put under provincial jurisdiction. For example, suppose a garage operator in Eastview wanted to order some parts from Windsor, Ontario. Presumably, we have a rate on file with the board of transport commissioners which includes charges for pickup in Windsor and delivery in Ottawa. Our truck in Windsor would take the automobile parts from the shipper's door to the freight shed. It would be loaded on our train, come to Ottawa and, under the proposal now advanced by the trucking association, the federal jurisdiction would cease at the Ottawa terminal, and that part from the terminal to the door of the garage operator in Eastview would be under provincial jurisdiction. Now, that being so, could the shipper or consignee challenge the rate that was being charged? That rate is on file with the board of transport commissioners for the whole distance from door to door. Or, on the other hand could the railway add another $5 for delivery because it might say that we are not obliged to follow the rate which is filed with the board of transport commissioners for that part of the movement? Or, suppose it was being sent over to Hull. Could we have the Ontario board saying the rate for that delivery shall be $5 and the Quebec board saying the rate for that delivery shall be $2.50. There would be endless complications of that kind which should be completely unnecessary.

Now, also, this shipment would have been made under a bill of lading, and the bill of lading sets out the terms and conditions of liability under which the railway must operate, liability for loss and damage. Those terms and con-

ditions are approved by the board of transport commissioners and we must abide by those terms and conditions. They have to be applied to every shipment. But if the goods were lost or damaged between the Ottawa terminal and the consignee's door, could we say that those terms and conditions do not apply for that part of the movement because this is under provincial jurisdiction and we are going to apply other limitations of liability? I think it would create such an extraordinary series of legal questions with no advantage to anybody except perhaps the lawyers who would have to take the cases to the supreme court to get them straightened out.

(*Translation*)

Mr. CARON: Mr. Chairman, may we adjourn? I have important business to attend to and it is past five thirty.

(*Text*)

Mr. FISHER: I am still confused by the arguments that were put forward. I would like to have the Minister of Transport or his counsel offer us comments on the arguments put forward not so much by Mr. Macdougall and Mr. Spence because I can accept their logic you might say in historical terms. It ties in with what I know, but I am not so sure that I would be fair to the argument put forward by the Canadian Trucking Association which seems to be sort of less in terms of tradition and practice and more in terms of constitution or constitutionality. Therefore, I would like to hear from the minister's counsel as to the department's views on the argument and at that time, I think we might permit a comment by the Canadian Trucking Association and then put the matter to a vote to find out whether we approve. At the present time I am satisfied with the evidence which has been given us by counsel for the two railways.

The CHAIRMAN: Gentlemen, we will adjourn until Tuesday next and I will be in touch with the minister, as suggested. I think it is a very good idea.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

THURSDAY, FEBRUARY 18, 1965
FRIDAY, FEBRUARY 19, 1965

Respecting

Bill S-7, An Act to amend the Canada Shipping Act.

Including the Sixth Report to the House.

WITNESSES:

The Honourable John Whitney Pickersgill, Minister of Transport; *from the Department of Transport:* Messrs. J. R. Baldwin, Deputy Minister, Alan Cumyn, Director, Marine Regulations Branch, R. R. MacGillivray, Assistant Counsel, Law Branch, and Capt. W. S. G. Morrison, Superintendent, Nautical Examinations, Marine Regulations Branch; Mr. Robert F. Cook, President, Canadian Brotherhood of Railway, Transport and General Workers, Local 425, Vancouver; Capt. E. W. Meadows, Assistant Secretary, The Canadian Merchant Service Guild; Mr. J. Rod. Lindsay, General Manager, Vancouver Tug Boat Co. Ltd., Mr. Harold L. Cliffe, Manager, Canadian Tugboat Co. Ltd.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21713—1

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Addison
Armstrong
Balcer
Barnett
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cooper
Cowan
Crossman
Crouse
Fisher
Foy
Godin
Granger
Greene
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Irvine
Kennedy
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Mackasey
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Pugh
Rapp
Regan
Rhéaume
Rideout (*Mrs.*)
Rock
Southam
Stenson
Tucker
Winch—60

(Quorum 12)

Marcel Roussin,
Clerk of the Committee.
(*Pro tem*)

ORDERS OF REFERENCE

TUESDAY, November 10, 1964.

Ordered,—That the following Bills be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill S-33, An Act to incorporate the Ottawa Terminal Railway.

Bill S-7, An Act to amend the Canada Shipping Act.

Attest.

WEDNESDAY, December 9, 1964.

Ordered,—That the names of Messrs. Leduc and Cyr be substituted for those of Messrs. Laniel and Lessard (Saint-Henri) on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

WEDNESDAY, February 17, 1965.

Ordered,—That the names of Messrs. Foy, McNulty, Lloyd, Berger, Addison, Laniel, Lessard (*Saint-Henri*), Macaluso, Rideout (Mrs.) and Winch be substituted for those of Messrs. Béchard, Francis, Tardif, Caron, Ethier, Leduc, Cyr, Macdonald, Ryan and Peters on the Standing Committee on Railways, Canals and Telegraph Lines.

21713—1½

REPORT TO THE HOUSE

WEDNESDAY, February 24, 1965.

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

SIXTH REPORT

The Committee has considered Bill S-7, An Act to amend the Canada Shipping Act, and has agreed to report it with the following amendments:

1. *New clauses*

Immediately after clause 1, after line 22, page 2 of the Bill, insert the following new clauses:

"2. Section 87 of the said Act is repealed and the following substituted therefor:

"87. (1) If a person uses the *National Flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this Act, unless the assumption has been made for the purpose of escaping capture by an enemy or by a foreign ship of war in the exercise of some belligerent right.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *National Flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same."

3. Section 89 of the said Act is repealed and the following substituted therefor:

"89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *National Flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this Act."

4. Subsections (1) and (2) of section 91 of the said Act are repealed and the following substituted therefor:

"91. (1) The *National Flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant from Her Majesty or under regulations which may be made by the Governor in Council.

(2) Where a ship or boat described in subsection (1) flies

(*a*) any distinctive national colours other than the *National Flag of Canada;* or

(b) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the Governor in Council,

the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding *five* hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment."

2. *On clauses 2 to 37 inclusive:*

To be renumbered as clauses 5 to 40 inclusive, respectively.

3. *On clause 7* (renumbered as clause 10):

Subsection (1b) of section 391 of the Act, lines 30 to 38 on page 5 of the Bill, is deleted and the following substituted therefor:

"(1b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

4. *On clause 16* (renumbered as clause 19):

Paragraph (d) of section 402 of the Act, lines 29 to 43 on page 10 of the Bill, is deleted and the following substituted therefor:

"(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)

(i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and

(ii) a valid Cargo Ship Safety Radiotelegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radiotelegraphy Certificate or a valid Cargo Ship Safety Radiotelegraphy Certificate where the gross tonnage of the Ship is less than sixteen hundred tons,

and any valid Exemption Certificate that has been issued in respect of the ship."

5. *On clause 37* (renumbered as clause 40):

Lines 36 to 44 on page 19 of the Bill are deleted and the following substituted therefor:

"40. (1) Section 1, sections 9 to 30 and section 39 of this Act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the Governor in Council.

(2) Section 6 and section 38 of this Act shall come into force on a day or days to be fixed by proclamation of the Governor in Council."

A copy of the Minutes of Proceedings and Evidence relating to the said Bill (Issue No. 10) is appended.

Respectfully submitted,

JEAN T. RICHARD,
Chairman.

(Presented on February 24, 1965)

MINUTES OF PROCEEDINGS

THURSDAY, February 18, 1965
(21)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10.15 o'clock a.m. The Chairman, Mr. J. T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Balcer, Barnett, Cameron (*Nanaimo-Cowichan-The Islands*), Cooper, Cowan, Crossman, Crouse, Foy, Greene, Hahn, Laniel, Leblanc, Lloyd, Macaluso, Marcoux, McNulty, Millar, Pascoe, Regan, Richard, Rock, Southam, Winch (24).

In attendance: The Honourable John Whitney Pickersgill, Minister of Transport; and *from the Department of Transport*: Messrs. J. R. Baldwin, Deputy Minister of Transport; Alan Cumyn, Director, Marine Regulations Branch; R. R. MacGillivray, Assistant Counsel, Law Branch; F. S. Slocombe, Chief, Nautical and Pilotage; J. H. W. Cavey, Chief, Harbours and Property Branch; G. G. M. Guthrie, Supervisor, Registry of Shipping; E. J. Jones, Steamship Inspection Service; A. G. E. Argue, Radio Regulations Division; C. D. Kenny, Radio Regulations Division.

In his opening remarks, the Chairman informed the Committee that authorization was needed to obtain copies of the Canada Shipping Act.

Thereupon Mr. Regan, seconded by Mr. Rock, moved,—

That the Clerk be authorized to obtain for the use of the Committee, 65 copies in English and 22 copies in French of the Canada Shipping Act.

Mr. Cowan inquired about the discussion of Bill S-33, "An Act to incorporate the Ottawa Terminal Railway Company", already before the Committee.

Thereupon the Chairman called Clause 1 of Bill S-7, "An Act to amend the Canada Shipping Act", and informed the Committee that the Minister of Transport and other witnesses would be heard. He introduced the Minister of Transport and his officials.

The Honourable Mr. Pickersgill tabled an amendment to Bill S-7 in connection with the *National Flag of Canada.*

On the suggestion of the Honourable Minister of Transport, the Committee agreed to meet at 9.30 o'clock a.m. on Friday, February 19, 1965.

Mr. Baldwin, Deputy Minister of Transport, explained the substance of Bill S-7, and he tabled the following amendments

On Clause 7

That Bill S-7, an Act to amend the Canada Shipping Act, be amended by striking out subsection (1b) of section 391 in Clause 7 (re-numbered as Clause 10), lines 30 to 38 on page 5 thereof and by substituting therefor the following:

Inspection of Canadian steamships not Safety Convention ships

"(1b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

On Clause 16

That Bill S-7, an Act to amend the Canada Shipping Act, be amended by striking out paragraph (d) of section 482 in Clause 16 (re-numbered as Clause 19), lines 29 to 43 on page 10 thereof and by substituting therefor the following:

"(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)

(i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and

(ii) a valid Cargo Ship Safety Radiotelegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radiotelegraphy Certificate or a valid Cargo Ship Safety Radiotelephony Certificate, where the gross tonnage of the ship is less than sixteen hundred tons,

and any valid Exemption Certificate that has been issued in respect of the ship."

And debate arising thereon, Mr. Macaluso, seconded by Mr. Rock, moved,

That Clauses 6 to 27 both inclusive be adopted as amended.

On Clause 28

Adopted.

On Clause 35

Adopted.

On Clauses 2 and 30

Discussion arising thereon, Mr. Macaluso, seconded by Mr. Lloyd, moved, That they be adopted.

Thereupon, Mr. Rock, seconded by Mr. Crouse, moved

That Clauses 2 and 30 be allowed to stand until the Minister of Transport give further explanation.

And the question being put on Mr. Rock's amendment, it was resolved in the affirmative: Yeas, 6; Nays, 5.

Consequently, Clauses 2 and 30 were allowed to stand.

And the examination of the witnesses still continuing, at 12.30 o'clock p.m. the Committee adjourned until 4.00 o'clock p.m. this day, it being understood that thirty minutes would then be allowed to form a quorum.

AFTERNOON SITTING
(22)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 4.10 o'clock p.m. this day. The Chairman, Mr. J. T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Barnett, Cantin, Cowan, Crouse, Granger, Hahn, Kennedy, Lachance, Lessard (*Saint-Henri*), Leblanc, Lloyd, Macaluso, McNulty, Richard, Rock, Tucker, Winch (18).

In attendance: Same as at the morning sitting, and Capt. W. S. G. Morrison, Superintendent, Nautical Examinations, Marine Regulations Branch of the Department of Transport; also Mr. Robert F. Cook, President, Canadian Brotherhood of Railway, Transport and General Workers, Local 425, Vancouver; and Capt. E. W. Meadows, Assistant Secretary, The Canadian Merchant Service Guild.

The Committee resumed its consideration of Bill S-7, an Act to amend the Canada Shipping Act.

On Clause 29

Adopted.

On Clauses, 31, 32, 33 and 34

Adopted.

On Clause 36

Adopted.

On Clauses 3 and 5

Adopted.

On Clauses 37 and 1

Adopted.

On motion of Mr. Macaluso, seconded by Mr. McNulty,

Resolved,—That Bill S-7, an Act to amend the Canada Shipping Act, be amended

(1) by adding thereto, immediately after clause 1 thereof, the following clauses:

2. Section 87 of the said Act is repealed and the following substituted therefor:

Penalty for unduly assuming Canadian character.

"87. (1) If a person uses the *National Flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this Act, unless the assumption has been made for the purpose of escaping capture by enemy or by a foreign ship of war in the exercise of some belligerent right.

Burden of proof.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *National Flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same."

3. Section 89 of the said Act is repealed and the following substituted therefor:

Penalty for acquiring ownership if unqualified.

"89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *National Flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this Act."

4. Subsections (1) and (2) of section 91 of the said Act are repealed and the following substituted therefor:

National colours for ships, and penalty on carrying improper colours.

"91. (1) The *National Flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in

Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant from Her Majesty or under regulations which may be made by the Governor in Council.

Offence and penalty.

(2) Where a ship or boat described in subsection (1) flies

(*a*) any distinctive national colours other than the *National Flag of Canada;* or

(*b*) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the Governor in Council,

the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding *five* hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment."

and by renumbering clauses 2 to 37 accordingly.

(2) by striking out clause 40 thereof and substituting therefor the following:

"40. (1) Section 1, sections 9 to 30 and section 39 of this Act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the Governor in Council.

(2) Section 6 and section 38 of this Act shall come into force on a day or days to be fixed by proclamation of the Governor in Council."

The Chairman reminded the Committee that clauses 2 and 30 were allowed to stand until the appearance of the Minister of Transport before the Committee on Friday, February 19, 1965.

On Clause 4

The Chairman introduced Mr. Robert F. Cook and Capt. E. W. Meadows. The latter read a prepared brief which had been distributed in English to the members of the Committee.

The examination of the witnesses still continuing on Clause 4, at 5:30 o'clock p.m., the Committee adjourned until 9:30 o'clock a.m. on Friday, February 19, 1965.

FRIDAY, February 19, 1965
(23)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:40 o'clock a.m. this day. The Chairman, Mr. J. T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Barnett, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Crouse, Foy, Granger, Hahn, Laniel, Macaluso, Matte, McNulty, Millar, Pascoe, Richard, Rock, Southam, Tucker, Winch (21).

In attendance: The Honourable John Whitney Pickersgill, *Minister of Transport;* Mr. Robert F. Cook, President, *Canadian Brotherhood of Railway, Transport and General Workers, Local 425,* Vancouver; Capt. E. W. Meadows, Assistant Secretary, *The Canadian Merchant Service Guild;* Mr. J. Rod Lindsay, General Manager, *Vancouver Tug Boat Co. Ltd.,* and also Director of *B.C. Towboat Owners Association;* Mr. Harold L. Cliffe, Manager, *Canadian Tugboat Co. Ltd.,* and also Director of *B.C. Towboat Owners Association.*

On Clauses 2 and 30

Mr. Rock asked for and received from the Minister of Transport clarification of those clauses.

Clauses 2 and 30 are adopted.

On Clause 4

Mr. Cook resumed his observations.

The Committee agreed to hear witnesses present at the meeting before questioning Capt. Meadows and Mr. Cook.

Mr. Lindsay read a prepared brief which had been distributed in English to members of the Committee, and he added a few comments on his own statement.

It being 10:45 o'clock a.m., at the suggestion of the Minister of Transport, the Committee agreed to adjourn until 2:30 o'clock p.m. this day and meet in Room 253-D in order to resume the examination of the witnesses.

The Committee adjourned until 2:30 o'clock p.m. this day.

AFTERNOON SITTING
(24)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 2:30 o'clock p.m. this day. The Chairman, Mr. J. T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Addison, Barnett, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Foy, Granger, Hahn, Lachance, Lloyd, MacEwan, Macaluso, McNulty, Richard, Rock, Tucker, Winch (19).

In attendance: Same as at the morning sitting; and *from the Department of Transport:* Messrs. Alan Cumyn, Director, Marine Regulations Branch; R. R. MacGillivray, Assistant Counsel, Law Branch, and E. J. Jones, Steamship Inspection Service.

On Clause 4

The Committee resumed its study of Bill S-7 and the examination of the witnesses.

Messrs. Cumyn and MacGillivray made comments on the briefs presented by the two associations heard previously.

At 2:55 o'clock p.m., the members of the Committee being called at the House of Commons, the meeting was suspended.

At 3:10 o'clock p.m., the Committee resumed its examination of the witnesses and it was agreed that the brief to be presented by Upper Lakes Shipping Ltd., would be annexed to the proceedings of today's sittings, with the mention that it was received after Bill S-7 had been adopted by the Committee.

The Committee agreed to meet on Tuesday, February 23, 1965, to study Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd., Bill S-43, An Act respecting Canadian-Montana Pipe Line Company, and Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company; and on Thursday, February 25, 1965, to study Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

After discussion, Mr. Macaluso, seconded by Mr. Hahn, moved

That Clause 4 of the Bill be adopted.

The question being put, it was resolved in the affirmative: Yeas, 10; Nays, 3.

The title of the Bill and the Bill itself were adopted.

The Committee instructed the Chairman to report Bill S-7 to the House, as amended.

At 4:50 o'clock p.m., the Committee adjourned until 10:00 o'clock a.m. on Tuesday, February 23, 1965.

Marcel Roussin,
Clerk of the Committee pro tem.

Note

A letter dated February 24, 1965, and received from Mr. R. V. Sankey on February 25, 1965, Counsel for Upper Lakes Shipping Ltd., advises the Committee that the above-mentioned Company will not present a brief. (*See Appendix "A" to today's proceedings.*)

EVIDENCE

THURSDAY, February 18, 1965.

The CHAIRMAN: Gentlemen, we have a quorum. I declare this meeting open.

I would like to have a motion from a member of the committee to authorize the clerk to obtain, for the use of the members of the committee, 65 copies in English and 22 copies in French of the Canada Shipping Act. As you know, this is a voluminous act and copies of it would have to be purchased from the queen's printer. I feel all the members of the committee should have an original copy of the shipping act. Would someone like to move such a motion?

Moved by Mr. Regan, seconded by Mr. Rock.

Motion agreed to.

The CHAIRMAN: Now, gentlemen, we are on the Canada Shipping Act. This Bill No. S-7 was passed by the Senate after many days of hearings in committee. I trust that while we will do our work as seriously as usual, we will be able to be as diligent as possible. I am sure that some of the members realize in a sense there is a duplication of work in the presentation of testimony before committees. I am not one to agree that because evidence has been given before a Senate Committee we should accept that evidence just because it is printed. However, I hope the members will keep in mind that this is available, and there may be those who have had the opportunity to read the Minutes of Proceedings and Evidence of the standing committee of the Senate.

This morning we have with us the Hon. Mr. Pickersgill, the Minister of Transport. In addition we have Mr. J. R. Baldwin, deputy minister, Department of Transport; Alan Cumyn, director, marine regulations branch; Mr. R. R. MacGillivray, assistant counsel, legal branch, Department of Transport; Mr. F. S. Slocombe, chief, nautical and pilotage branch; Mr. J. H. W. Cavey, chief, harbours and property branch; Mr. G. G. M. Guthrie, supervisor, registry of shipping; Mr. E. J. Jones, steamship inspection service; Mr. A. G. E. Argue, radio regulations division; and Mr. C. D. Kenny, also of the radio regulations division. All of these gentlemen are officials of the Department of Transport. In addition, other parties have signified their intention to appear before the committee, such as representatives from the Dominion Engineers and also boat owners associations, and so on. These persons wil be given the opportunity to testify before this committee.

At this time it is my intention to ask the Hon. Minister of Transport to make some opening remarks.

Mr. COWAN: Mr. Chairman, before we start dealing with Bill No. S-7, I would like to ask a question. In the fall, before adjournment, on December 18 we were discussing Bill No. S-33 which I have in my hand. In this bill at page 17, clause 26, it says:

> Except as otherwise expressly agreed to by the parties hereto, all transfers of land and facilities referred to in this memorandum shall take place simultaneously on the second day of January, 1965.

The CHAIRMAN: This morning we are discussing Bill No. S-7.

Mr. COWAN: Is this bill dead now?

The CHAIRMAN: The bill to which you are referring is not before the committee this morning.

Mr. COWAN: It had a date in which we did not meet. I would like to know what happened.

The CHAIRMAN: I cannot discuss that with you because I am not an official of the government.

Hon. J. W. PICKERSGILL (*Minister of Transport*): I may say, Mr. Chairman, the government has decided, in view of the urgency in getting through with the Canada Shipping Act, and in the hope that my suggestion will be accepted about the railway bill, that the subject matter would be referred to this committee so that we can hear some of the representations that people wish to make on it before it is reintroduced at the next session. In that way we hope to abbreviate the length of time that will be required during the next session with a major piece of legislation. The government has decided not to proceed at this session with this bill at all, but rather to stand it over and have it introduced at the next session of parliament.

Mr. COWAN: Would the transfer of land take place as required?

Mr. PICKERSGILL: I do not have the faintest idea. I would have to inquire.

Mr. COWAN: The National Capital Commission told us what to do and we did not do it.

Mr. PICKERSGILL: I am not the minister responsible for the National Capital Commission.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Do I understand we merely are going to have a preliminary hearing on the Canada Shipping Act?

Mr. PICKERSGILL: No. What I was referring to as being preliminary was the hearings on the railway bill. I am rather hopeful, from such conversations as I personally have been able to have, that perhaps tomorrow or Monday the house might agree to let my colleague, Mr. McIlraith, move an amendment to the bill that the subject matter of it—that kills the bill—be referred without debate to this committee so that the committee could take advantage of the two or three weeks, whatever it may be, that are left of this session. There are many persons all over the country who wish to be heard on that railway bill. Then the bill would be introduced again at the next session. We feel that if we could take advantage of these two or three weeks we might get a summer recess and have the bill passed still in the year 1965. This is just a way of saving some time.

There is no agreement among the parties on this, but I rather hope there may be.

So far as the Canada Shipping Act is concerned, the government had hoped to get it through in the session of 1963. Indeed, the previous government had hoped to get a bill very similar to this through. This, in most respects, just is a tidying up operation. It has been through the Senate where it was very thoroughly considered. We are very hopeful that in one or two sessions of the committee we may be able to dispose of this bill.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Clause 4 of the bill contains a subject matter which has been referred to a commission set up under the authority of the Department of Labour. The federal government is going to pay 50 per cent of the cost. This commission has been established and I believe the document is to be signed today.

Mr. WINCH: May I ask the minister whether he is instructed that this matter will come before the house at this session in view of the fact that there is an agreement under which a number of the very matters which are in the amendment now are the subject of an inquiry in respect of which the government is paying 50 per cent, the employers 25 per cent and the trade unions involved 25 per cent? I think it is rather important that we now hear why we are discussing amendments to a bill when an inquiry has been set up on a

number of subjects covered by this bill. Are we going to have a *fait accompli* before we can get the inquiry going?

Mr. PICKERSGILL: I am advised that the amendments proposed under clause 4 of this bill are amendments having to do with safety and have nothing to do with any inquiry that would have been set up by the Department of Labour.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It has to do with manning.

Mr. WINCH: Brake horsepower and nominal horsepower. It has to do with safety.

Mr. ROCK: Would these gentlemen be more specific in respect of the relationship between this inquiry and clause 4? It may be serious or it may not be.

Mr. PICKERSGILL: I would be quite prepared to let clause 4, if it should be reached this morning, stand to give us an opportunity to consult with the Department of Labour to ascertain whether in fact there would appear to be any kind of a conflict. Of course, if the subject matter here is in fact going to interfere in any way with the problem, pursuant to that inquiry, I would give the undertaking here and now that we are prepared to make the necessary excision from the bill so that there will be no such conflict.

Mr. WINCH: Do I understand that you did not know this inquiry had been established by the Department of Labour?

Mr. PICKERSGILL: Personally, I had not been consulted about it. There are a great many things about which ministers are ignorant and about which other members are well informed.

The CHAIRMAN: Gentlemen, we are on clause 1.

On Clause 1—*Cargo ship.*

The CHAIRMAN: It is my thought that the minister would give us a general statement on the bill.

Mr. PICKERSGILL: As a matter of fact, that is what I had hoped to do. However, before doing so I would like to say something which I hope will not be regarded as a sensational piece of news, although this is a very risky thing to do. In sections 87, 89 and 91, the Canada Shipping Act contains certain statutory provisions regarding the use of the red ensign on merchant ships. I believe this is the only place in the statutes of Canada where there is any statutory obligation with regard to the flying of flags. Whether rightly or wrongly, I had assumed, in view of the fact that parliament has made a pronouncement on the question of the flag, and that the Queen's proclamation has been issued, we would not wish to perpetuate the obligation in this statute to fly a flag which has ceased, by due process of law, to be the flag of Canada. Therefore, I would hope that this committee would be prepared to support an amendment to this bill which, of course, would have to go back to the other house for concurrence. This amendment would substitute in those clauses the national flag of Canada in place of the present provisions thereof.

I think we have sufficient copies of this proposed amendment that it could be distributed. In a technical sense, after clause 1 it would add clauses 2, 3 and 4, and necessitate the rewording of the other clauses.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is it the intention of the government to follow what has been the precedent which caused the development of the red ensign as a distinctive flag which would distinguish the merchant marine from naval vessels or other government vessels?

Mr. PICKERSGILL: No. I am not an authority on this subject, but as I understand it the present purpose is that there will be no ensigns of any kind; that is, orders in council have been passed and the national flag of Canada has been substituted for the blue ensign, for the white ensign and, in so far as use

in the army is concerned, for the red ensign, and for the air force ensign. I would think it would be rather exceptional to have a flag for the privately owned merchant ships of Canada which would be different from the national flag, unless we are going to adopt the system of ensigns for the armed forces and government ships as well.

Up until now the government has given no consideration to that, although I understand the question is not closed.

Mr. WINCH: Mr. Chairman, may I ask one question. I have been asked this question and I do not know the answer; perhaps the minister may know it. I have been asked by the royal yacht clubs what their position is. Does this cover the royal yacht clubs at all?

Mr. PICKERSGILL: No. Since they are voluntary organizations the government would not seek to impose upon them any rules at all.

Mr. WINCH: There is some wording here and I am wondering whether or not it applies to the royal yacht clubs. I have specific reference to the Vancouver Royal Yacht Club.

Mr. PICKERSGILL: Before answering as technical a question as that I would like to obtain legal advice. I will suggest that the departmental solicitor consult the Department of Justice about this point.

Mr. WINCH: I know that the Vancouver Royal Yacht Club would like to have an answer. At the moment they still are flying the red ensign.

Mr. PICKERSGILL: Before we ask the committee to approve this, we will have an answer.

Mr. COWAN: We have been told times without record, in both French and English, that the red ensign was a marine flag and that because of this we should not be flying it in Canada. Surely to heavens you are not going to try to bury the flag now.

Mr. PICKERSGILL: I think it would be rather difficult to perpetuate a statutory obligation to fly a flag which has ceased to have any official character whatsoever, except on privately owned vessels, and to make it an obligation on the owner of a vessel to fly a flag which no longer is recognized as the national flag of Canada. In any event, we intend to ask the committee if it will accept this amendment so that it will not be an offence for a vessel owner not to fly the red ensign. This does not mean that he cannot fly a red ensign if he wishes to do so. Anybody in this country who wants to can fly a red ensign. Canada is a free country and I hope is going to remain so. I am the last person who wishes to dictate to people in respect of what they must do in these matters.

Indeed, I myself do not mind having this statutory provision taken out of the act and having substituted therefor a provision that whatever flag from time to time may be prescribed by proclamation would be flown. That would meet the point raised by Mr. Cameron. It could be done in this manner instead of having this kind of a statutory provision. If some member of the committee feels that would be a better approach to the matter, I would be perfectly prepared to accept that as an alternative.

If I now may speak about the bill, really I do not pretend to have the knowledge of the technical aspects of this bill which my officials have. For me to attempt to give a conspectus of the whole bill would, I think, be very foolish, and I am not sure how much value it would be to anyone to have such a conspectus. However, there is one subject which I do think is of sufficient importance that I ought to underline it, although it was underlined very thoroughly in the Senate. The bill does reserve the coastal shipping of Canada to Canadian shipping west of a point drawn across the gulf of St. Lawrence. This is a policy which was announced by the hon. gentleman who is just taking his seat now when he was minister of transport, if I remember correctly.

However, it required the concurrence of the other parties to the Commonwealth Shipping Conference before we could do it, because up until now our coastal shipping has been reserved to ships under the registration of commonwealth countries and not simply to those of Canadian registration. Because there were registrations in some parts of the commonwealth where the safety regulations were not comparable to ours, this could lead to a kind of competition with Canadian shipping. On balance, it was felt by the government to which the hon. member for Three Rivers belonged, and in which the present government has concurred, that this was not reasonable, particularly in the St. Lawrence river and the great lakes.

It was felt that it would be very difficult to exclude these traditional ships in the gulf of St. Lawrence and in Newfoundland, where it was traditional. And this line was drawn as indicated now in the bill. There are those of course who will say that this is a restrictive device. To some degree I suppose that is true, but it is also true that practically every country in the world does resrict its own coastal shipping to its own nationals and to the ships under its own registry. That of course is emphatically true in the case of the United States. However, on balance the government decided to go ahead with the proposal that was made by the previous government in this regard, and it is the one really important new departure in this bill.

For the rest I think it would be fair to say, looking at my officials as I do, that the rest is mostly housekeeping. The deputy minister says it is important housekeeping, but all housekeeping is important. Anybody who is careless about housekeeping, whether a housewife or a head of a government, finds that out very quickly.

While it is important housekeeping, it is not what you should call very sensational stuff. I think therefore it would be far better for someone else less sensational than I am to try to discuss it.

Mr. WINCH: May I ask exactly how you would desire us to proceed, Mr. Chairman, because as the minister has said, this is just housekeeping. Yet in view of the importance it has, it is housekeeping which effects very specifically safety and employees.

Mr. PICKERSGILL: Yes.

Mr. WINCH: The mere fact that there is in this act a differentiation between nominal and brake horsepower suggests that it is housekeeping. May I ask how you desire to proceed with this bill?

The CHAIRMAN: At first I thought that when the minister had finished his remarks, I would be very curious to hear from Mr. Baldwin, before we proceeded with the clauses of the bill, and that he might tell us a little more about this housekeeping, and just what the bill contains. I think these could be divided into certain groups of clauses. I think when Mr. Pickersgill is through I shall ask Mr. Baldwin to tell us exactly what this bill does in its general aspects.

Mr. PICKERSGILL: I am through. I am going to stay as long as I dare, Mr. Chairman, but there is also a cabinet meeting going on and I was asked by the Prime Minister to turn up before that meeting was over. So if you observe me quietly slipping out after a little while you will understand that it is not that I am not charmed to be in your company, but that I also belong to a secret society.

The CHAIRMAN: It is not so secret.

Mr. PICKERSGILL: Where I have an obligation as well.

The CHAIRMAN: Now, Mr. Baldwin.

Mr. LLOYD: I take it that the minister in short has stated that this is technical stuff, and that the officers of the department should now brief us

in the same way so that we may all have comprehension of the bill. I suggest that we proceed briefly with Mr. Baldwin.

Mr. BARNETT: I presume the minister will be available to the committee again at a further hearing.

Mr. PICKERSGILL: If the committee would consent to sit tomorrow morning at 9.30, I would be delighted to be here, and I would wipe out any other possible engagement which I had because we would like very much to get on with this bill so that if possible we could do the exercise I suggested on the railway bill.

The CHAIRMAN: Is it the wish of the committee that we sit at 9.30 tomorrow morning?

Agreed.

Now, Mr. Baldwin.

Mr. J. R. BALDWIN, Esq. (*Deputy Minister, Department of Transport*): Mr. Chairman, ladies and gentlemen, the bill, which you have before you for review, contains a number of lesser or miscellaneous clauses. I think it might be broken down into seven main groupings according to subject matter. While the clauses that would fall under each of these groupings do not necessarily come seriatim in the bill before you, nevertheless these are some of the headings that the bills deals with. The first is the series of clauses dealing with the international convention on the subject of safety of life at sea. This is an international, intergovernmental agreement on life standards which basically sets forth a number of safety standards which deal with safety aspects for marine shipping.

Incidentally, when I refer to safety of this kind, this does not involve the particular clause to which Mr. Winch and Mr. Cameron referred. The international convention of 1948 was revised at a major international conference in 1960, and we have improvements in a number of respects. There are a substantial series of clauses within this bill which now proceed with the implementation, or make it feasible to proceed with new implementations, of a new international convention on the safety of life at sea.

The CHAIRMAN: Could you indicate at the same time what sections are involved?

Mr. BALDWIN: Well, these would be clauses 6 to 27 of the new bill.

The CHAIRMAN: Please proceed.

Mr. BALDWIN: There is also some material in the new bill which deals with the question of oil pollution from ships. This is also a matter of considerable importance in the coastal areas of Canada. The clause that is concerned in this connection is clause 28, and it is designed to strengthen the government's position in the matter of dealing with oil pollution from ships. We have already been active in this field, and as a result an amendment was first introduced a few years ago, but this will make it possible for us to deal with it in even a broader area in terms of the amount of water to which our transportation would apply. There are technical officials available to go into this in greater detail for you. I am merely dealing with the main headings now.

There are also a couple of clauses—my recollection is that they are the small boat clauses, that is, clauses 3 and 30, which deal with our authority in regard to the regulation of pleasure boats, small craft which are not in the normal registration category but are in the licensing category.

Mr. WINCH: What are those clauses again?

Mr. BALDWIN: They are clauses 3 and 30. No, I should say clauses 2 and 30 in the revised printing. The prime purpose of these clauses again is to achieve certain additional authority and jurisdiction in the pleasure boat field in order to enable us to meet again with the provinces to accomplish certain things which we think and hope that they, or some of them at least, feel need to be done in regard to pleasure boat regulations.

We do have authority now to license small craft, and pleasure boats. This has been put into effect, and we have authority to license small boat operators, but this we have never used.

The present legislation would make it possible for us to deal with the provinces as agents in implementing schemes, if they so desire, in regard to licensing at various local levels.

Basically it is our view that licensing or control in the small boat field is something which is very difficult to administer, and that the establishment of a nationwide rigid level of it needs to be approached pretty well at the local requirements level, and this is the object we have in mind.

Similarly in clause 30, this would enable us to work out with the provinces and municipalities certain plans whereby the operation of small boats in certain areas could be restricted to municipal requirements for safety or other reasons.

The fourth large subject heading I would like to mention has to do with the question of cabotage in the great lakes. I do not need to say anything about it because the minister has already covered it in his remarks. But this is one of the main subject items in the bill. This is dealt with in clause 38 at the end of the bill.

The fifth subject I would like to mention relates to the licensing and certification of the officer classes on fishing vessels. This is an attempt that is being developed after extensive consultations with representatives of the industry itself to proceed towards the upgradings of standards of the officer class of fishing vessels in the interest of the industry itself.

We have attempted to offer advice which will not in any sense harm or injure the position of those who are serving on fishing vessels now. Their right to carry on will be recognized, but gradually there will be introduced a new system of certification which will I think be of considerable assistance to the industry itself. This was developed after extensive consultation with the industry. This also was one of the clauses debated at very great length in the Senate committee to make sure that the method of introduction was not harmful to those now in the industry, and certain amendments were introduced at the Senate level to help develop this. This is dealt with in clauses 3 and 5.

Mr. WINCH: May I ask one question? Referring to the great lakes, you mentioned clause 38. I do not have any clause 38.

Mr. BALDWIN: Oh, I am sorry. I should have said clause 35. There are also certain clauses dealing with the question of liability in law in regard to ships under the Canada Shipping Act. I do not myself feel competent to go into detail on this, because they are very complicated legal clauses. But we have the departmental solicitor present who can explain these clauses. I refer to clauses 31 to 34, and there are as well certain clauses relating to the safety standards of tugboats and for passenger boats in regard to the question of engineering matters. These are the clauses to which Mr. Winch and Mr. Cameron were referring at an earlier stage. Clause 4 is the primary one.

These are the seven main headings. Then there are a number of small miscellaneous clauses as well, which I do not think require special mention, because in your review you will pick them up as you go through the bill.

The CHAIRMAN: Mr. Baldwin suggests, ladies and gentlemen, that we might proceed at this time with the safety clauses which are clauses 6 to 27, because they are a group. Is that the wish of the committee?

Mr. WINCH: May I suggest that we not do it that way because I think that safety, which involves clauses 6 to 27, does and must tie in with the safety standards of tugboats and so on, inasmuch as the safety clause deals wholly with the international convention.

The CHAIRMAN: It deals entirely with the international convention.

Mr. LEBLANC: I notice that Mr. Baldwin referred to clauses 29 and 30, yet clauses 31, 32, 33 and 34 are not mentioned. Under which caption of the seven main items to which he referred would they apply?

Mr. BALDWIN: They are miscellaneous clauses which are purely routine housekeeping clauses in our opinion, and I did not illustrate them as a special heading.

Mr. MACALUSO: Dealing with the safety clauses, the international convention, clauses 6 to 27, we do not have too much to do with them. These are pretty well standard international conventions of the countries which have entered into them.

Mr. BALDWIN: That is true.

Mr. MACALUSO: You are only bringing them to our attention. But if we wanted to change them, we would have to go back to international negotiations again.

Mr. PICKERSGILL: Unless we wish to police the movements under the safety convention, we would still be operating under the provisions of the 1948 convention.

Mr. LANIEL: My question would have been along the same lines.

Mr. ROCK: We could agree to what you said.

The CHAIRMAN: Very well. On clauses 6 to 27 are there any questions?

Mr. WINCH: I have a question which comes under clause 4. As clauses 6 to 27 deal with the international convention might I ask if this convention applies to passenger ships strictly on coastal service in Canada?

Mr. MACGILLIVRAY: They apply only to passenger ships engaged in international voyages.

Mr. WINCH: You say only on international voyages?

Mr. MACGILLIVRAY: Yes.

Mr. WINCH: If we have a ship running for example between Vancouver, Victoria, and Seattle, such as the C.P.R. line, then it would be covered. But if it only goes from Vancouver to Prince Rupert, it is not?

Mr. MACGILLIVRAY: The amendments do not affect it. The provisions in the act relating to passenger ships in domestic voyages are not being changed. They are already of a very high standard.

Mr. WINCH: This leads to my next question: Are these regulations strictly for Canadian coastal passenger ships perhaps going from Vancouver to Seattle? Are the regulations which govern our Canadian passenger ships of such a nature that under this convention they would then be in order to go to Seattle?

Mr. MACGILLIVRAY: Yes, sir.

Mr. WINCH: The regulations are of such a nature that they are identical?

Mr. MACGILLIVRAY: Yes.

Mr. WINCH: Or even better.

Mr. MACGILLIVRAY: Yes. Our standards are as high at least as the convention standards and sometimes higher.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice there is a part of clause 7 which does refer to ships not under the safety convention. In clause 7, subclause (1), paragraph (1*b*) it says:

> Every Canadian steamship that is not a safety convention ship, shall have its hull, machinery, and so on . . .

Are these the same regulations which are in effect now?

Mr. MACGILLIVRAY: The provisions about the non-convention ships are unchanged. It just happens that they are dealt with in the section being amended, and we had to mention them.

Mr. BARNETT: I have one question which is technical. I notice in the former section 389 which you suggest should be repealed, that full details as to the international convention are set out, whereas in the proposed new clause it simply refers to the safety convention. Is there any reason why we do not spell out in detail what safety convention we are talking about?

Mr. MACGILLIVRAY: That is handled in clause 1, the definition section, where safety convention is defined as being the 1960 one.

Mr. BARNETT: That is the new section on definitions.

The CHAIRMAN: Are there any other questions? If not, Mr. MacGillivray has something else to say about the clauses.

Mr. MACGILLIVRAY: It is just that in the drafting of these sections, which are highly technical, two errors have been made and were not caught by the technical people until after the bill was passed through the Senate. Since it is going to have to go back to the Senate anyway, we would like to correct these two errors. One appears in clause 7, section 391, and the other is in clause 16, section 402. In each case it is just a minor error which we made. The very words that Mr. Cameron mentioned appear in line 31 on page 5 which refer to "not a Safety Convention ship". What we ought to have said is a ship that is not a ship described in subsections 1 or 1(*a*). I have prepared and have ready for circulation changes in those two clauses that would make them read properly in accordance with the convention.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I have another question on the definition in the clause. I notice that the definition of a cargo ship is a negative definition. It would appear to me that under this definition towboats could be classified as cargo ships.

Mr. MACGILLIVRAY: This is a matter of convenience in selecting a definition. The safety convention makes certain requirements for passenger vessels, the different requirements for all other vessels; it excludes fishing vessels and yachts. It was therefore convenient, in drafting the section, that cargo ships should include everything other than a passenger ship, a pleasure yacht or a fishing vessel. And then, in using the term throughout the operative sections, this has been borne in mind, that the requirements made for a cargo ship are applicable to a tug.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is the point that I wanted to stress because it is quite well known to many of us who are acquainted with the logging industry in British Columbia that many towboats employed by logging companies act as cargo ships also. Sometimes they are dangerously overloaded by boom chains which are taken to the various logging camps. Would this be prohibited if a towboat were clearly excluded from the definition of a cargo ship?

Mr. MACGILLIVRAY: The provision we have here relating to cargo ships is only a provision relating to safety convention cargo ships; that is, cargo ships of over 500 tons and going on international voyages.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I see no provision here for regulating the quantity and weight of equipment, such as boom chains, that may be carried by a towboat and which are not essential to the operation of that towboat; they are not part of the mechanism. This is a convenience which logging companies employ to transport extremely heavy equipment for their logging operations.

Mr. MACGILLIVRAY: We are not making any changes in this bill, in the provisions that relate to that. There is a provision in the act that prohibits

overloading of a ship or the sending of a ship to sea in an unseaworthy state by reason of overloading. This bill does not deal with that; it remains unchanged. The provision on that applies to all ships, cargo ships or otherwise.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I know it refers to cargo ships, and that you have the facilities for making inspections of regular cargo ships, but have you any facilities for making inspection of towboats?

Mr. MACGILLIVRAY: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are they carried out?

Mr. MACGILLIVRAY: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The history of some of the accidents off the coast would suggest they have not been carried out.

Mr. WINCH: Mr. Chairman, there are a few questions which I would like to ask. Would the deputy minister or one of his staff explain what is the difference between inspection and licensing under sections 392 and 393 in view of the amendments, because under clause 8, 393 is to be amended. In subclause 3, it says:

> Where the chairman has received a report of inspection described in section 392 in respect of a Canadian ship that is a nuclear ship not intended to be used on an international voyage, and he is satisfied that all the relevant provisions of this act and the regulations have been complied with, he shall issue for that ship an inspection certificate appropriate to the class and intended service of that ship.

Whereas, under clause 10, where it deals with section 393, it is said:

> that complies with all the provisions of this part applicable to Safety Convention passenger ships, other than nuclear ships,

There is a little confusion there which I would like to have clarified. One says it includes nuclear ships and the other says it includes other than nuclear ships.

Mr. MACGILLIVRAY: In the safety convention—we reflected it in the bill—they have distinguished nuclear ships from other ships quite consistently because, as far as non-nuclear ships are concerned, certain exemptions are permitted from the most stringent provisions of the safety convention. However, as far as nuclear ships are concerned, there are no exemptions permitted at any time.

Mr. WINCH: What is the meaning then of subclause (3) of clause 8 on page 6 which says:

> He shall issue for that ship an inspection certificate appropriate to the class and intended service of that ship.

While on page 7, under clause 10, it is said "other than nuclear ships", which means that the nuclear ship is excluded. I do not understand the difference.

Mr. MACGILLIVRAY: Subsection (3) of section 393 on page 6 deals with nuclear ships that are not convention ships, that is, that are not going on international voyages. Since they are not on international voyages, they do not to get a safety convention certificate of the type provided in section 395, dealt with in clause 10 on page 7, Clause 10 is simply put in here to rename the certificates that are to be issued under the safety convention. A nuclear ship that does not go on international voyages is not eligible for a safety convention certificate; it gets an inspection certificate issued by the inspection service.

Mr. WINCH: Why should there be differentiation between inspection and licensing of a nuclear ship in British Columbia and one going outside British Columbia waters?

Mr. MACGILLIVRAY: The standards are not different, it is just that the safety convention provisions apply only to ships going on international voyages. The act has always been so defined that if a ship is going on an international voyage, the owner applies for a safety convention certificate and for the inspection that goes with it. If he is only on domestic voyages, he gets an inspection certificate, whether the ship is nuclear or non-nuclear.

Mr. WINCH: Does it get a safety convention nuclear cargo ship certificate or a passenger ship certificate?

Mr. MACGILLIVRAY: The standards are at least as high for the domestic nuclear ship as for one going on international voyages.

Mr. MACALUSO: In order to assist the department I would move that the two amendments proposed by the department be adopted.

The first one reads as follows:

> That Bill S-7, an act to amend the Canada Shipping Act, be amended by striking out subsection (1)(b) of section 391 in clause 7 (re-numbered as clause 10), lines 30 to 38 on page 5 thereof and by substituting therefor the following:
>
> "(1)(b) Subject to sections 480 to 482, every Canadian steamship that is not a ship described in subsection (1) or (1)(a) shall have its hull, machinery and equipment inspected by a steamship inspector in accordance with the regulations before the ship is first put into service and at least once in each year thereafter or, if classification surveys are made, in such longer period, and subject to such conditions as may be prescribed by the regulations."

The second amendment reads:

> That Bill S-7, an act to amend the Canada Shipping Act, be amended by striking out paragraph (d) of section 482 in clause 16 (re-numbered as clause 19), lines 29 to 43 on page 10 thereof and by substituting therefor the following:
>
> "(d) if the ship is a cargo ship other than a nuclear ship and there has not been produced a certificate mentioned in paragraph (a)
>
> (i) a valid Cargo Ship Safety Construction Certificate and a valid Cargo Ship Safety Equipment Certificate, where the gross tonnage of the ship is five hundred tons or more, and
>
> (ii) a valid Cargo Ship Safety Radio-telegraphy Certificate, where the gross tonnage of the ship is sixteen hundred tons or more, or a valid Cargo Ship Safety Radio-telegraphy Certificate or a valid Cargo Ship Safety Radiotelephony Certificate, where the gross tonnage of the ship is less than sixteen hundred tons,
>
> and any valid exemption certificate that has been issued in respect of the ship."

Mr. LANIEL: I second the motion.

The CHAIRMAN: Mr. Macaluso has moved, seconded by Mr. Laniel, that Bill S-7, an act to amend the Canada Shipping Act, be amended as set out in the two amendments submitted by the officials of the department.

Is there any discussion of these amendments?

Mr. BARNETT: It seems to me that the numbering of these clauses, as I understand, is contingent on the renumbering of another set of proposed amendments. I am wondering whether we are going to get ourselves in a technical snarl if we pass this set with the consequent renumbering before we have dealt with the other matter.

Mr. ROCK: Clause 16 is changed to clause 19, and we are wondering why.

Mr. MacGILLIVRAY: If the three new clauses relating to the flag are in, then these would be renumbered.

Mr. BARNETT: Could we not leave out this renumbering business and deal with it by a separate motion later on in our proceedings in order to tidy up the numbering of the clauses?

Mr. MACALUSO: Yes, of course. This should be left in, clause 7 in the first amendment and clause 16 in the next amendment, and when the proposed amendments on the national flag are dealt with, someone can bring a motion to renumber clauses 7 and 16.

The CHAIRMAN: Is it understood that we will eliminate the renumbering at the present time and approve the amendments subject to the proper numbering at a later time?

Motion agreed to.

Mr. WINCH: There is one question I would like to ask, and I think it is right to ask it at this time although it could be asked at some other time. Section 397 deals not only with the international convention, but it also deals, as I have pointed out, with Canadian ships on coastal waters because it makes reference to a ship which is a nuclear ship, et cetera, which is not outside coastal waters. Therefore, on the basis of the fact that a passenger or a cargo ship in coastal waters has to have an inspection and a certificate, I would like to ask if the deputy minister or any of his staff would give to this committee some explanation of the operation beyond the straight issuance of the inspection and certification because it has come to the notice of a number of the members of parliament from British Columbia that inspection is done at the dockside. What happens thereafter is not followed through; that is to say, what happens in the coastal waters. There is no inspection regarding the adherence of the ship to the safety and licence regulations. I can assure you, Mr. Chairman, that this is one of the most serious matters in the minds of the British Columbia coastal members. It has been brought to our attention time after time. Could we have some statement from the deputy minister or from other people on his staff on whether or not the certificate granted assures the safety of the boat when it gets to the coastal waters, at which time they are free to completely forget what they are supposed to do?

Mr. LANIEL: My question might be related to Mr. Winch's question. I would ask the deputy minister if, as far as the international convention is concerned, there are any penalties provided in the convention, besides certification, or any fines. As Mr. Winch said, what happens after the certificate has been obtained? Is there a penalty section?

Mr. WINCH: There is a penalty section, but the point is what policing is being done after the licensing and inspection at the dockside? In British Columbia our evidence is that there is no policing being done.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch*): The whole philosophy of steamship inspection is that when a ship is constructed, it is constructed to approved plans. The steamship inspection service inspects the ship during construction to see that it is constructed in accordance with the approved plans. They see that it carries the proper safety equipment, as prescribed by the regulation. They see that it is manned in accordance with the requirements of the act, including the officers required and the efficiency and proficiency of the crew. Then, they issue a certificate to cover the operation of this ship on a given voyage. This certificate is in reality a certificate of seaworthiness, and may be issued in the case of boats under 150 tons for four years; in the case of boats over 150 tons for a period of one year, or lesser periods if, in the opinion of the inspector, the vessel is due for inspection before that time. The vessel then operates under the steamship inspection

certificate; that is to say before it can clear from the port it has to produce this inspection certificate before a collector of customs. The steamship inspection service does not police a vessel once it has been certificated unless it is brought to the attention of the steamship inspector that that vessel, for some reason or other, by virtue of undermanning or having sustained an accident, or by reason of entering on voyages for which it is not certificated, is proceeding contrary to its certificate.

Mr. WINCH: There has to be a report. You do not do the policing, do you?

Mr. CUMYN: No, sir. The steamship inspector is a technical officer whose function is to inspect a ship and issue a certificate of seaworthiness. Any policing is done by a collector of customs who detains the ship if the certificate becomes invalid for some reason or other. In addition to that, if a ship becomes unseaworthy and the matter is reported to the steamship inspector, he, of course, investigates the situation and withdraws the certificate if, in his opinion, the unseaworthiness is a fact.

Mr. WINCH: What do you do in your department under the Canada Shipping Act if a boat goes down and it is reported that it was overloaded? Does that come under your department?

Mr. CUMYN: There is a marine investigation service to ascertain the cause of the casualty.

Mr. WINCH: But it is too late by then; the boat has gone down.

Mr. CUMYN: The inspection of ships provides a reasonable margin of safety. We do not say, and it would be impossible for us to guarantee, that once a ship has been certificated it is not going to sink. There are a lot of other factors which enter into the situation besides the certification. It depends on the way the ship is maintained and the ability of the master to look after the ship.

Mr. WINCH: That is the point I am coming to, the way it is maintained and used after it has left dockside. Under the shipping act, unless something happens, you have no responsibility after it leaves dockside.

Mr. CUMYN: That is correct.

Mr. LANIEL: On the same subject, Mr. Chairman, if you look at section 454 of the act, this deals with the case which has nothing to do with the safety and certification of the ship. It is a matter of the control of responsibility of the master of the ship as far as gales and floating ice in the sea are concerned, and the reports that have to be made. Are these followed up? Under section 454 the master of any Canadian ship on meeting with dangerous ice, and so on, should make a report as prescribed by the regulation.

Mr. BALDWIN: The purpose of this regulation is to ensure that we receive the information so that it can be put into the hands of the meteorological branch.

Mr. LANIEL: How can you control that; is there any policing in that field?

Mr. BALDWIN: Very little. This is something that is not easy to police.

Mr. WINCH: How do you do the policing? I have in mind two incidents off the British Columbia coast. Of course, a master is in command, but if his company tells him to put on certain things which causes overloading—and he has to do what he is told—then under the law he is the responsible person.

Mr. BALDWIN: If this is brought to our attention, there is an investigation at once. Perhaps I might make a general statement on this, because this is a problem which occurs not only in shipping alone but also in respect of commercial aviation and under provincial jurisdiction over roads, trucks and automobiles. There is the question of how you are going to police apart from periodic checks of standards. Basically this is something which, for instance, the aircraft operators have put up to us—Mr. So and So out in the bush is breaking the law; why do you not do something about it? We do something about it.

Whenever a matter is brought to our attention we do investigate it. However, in order to have policing in respect of every vehicle moving, through the water, in the air or on the land, it would involve huge utilization of the facilities of the civil service and equipment. Therefore, we have to rely on periodic checks on established standards and investigation wherever a problem is brought to our attention. In other words, we have to place some responsibility on the people who are moving around and who see something wrong to bring it to our attention so that we can go after it.

Mr. FOY: Referring to the automobile analogy, just because somebody has a licence to drive a car it does not guarantee that he will not have an accident.

Mr. BALDWIN: This is true.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There is a periodic inspection of automobile traffic and no one suggests that every vehicle should be stopped every day and every driver be asked for his licence; but, every driver knows he may be stopped sometime and asked for his licence. Undoubtedly this has an effect on his driving.

Mr. BALDWIN: There are periodic checks of ships as well.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I have not heard of any case in which there has been a spot check on overloading of towboats in British Columbia. You have cases like that of the *Swifter II* which capsized on the Fraser river. This was the fourth time this vessel capsized and one man drowned.

Mr. CUMYN: Was this vessel under 150 gross tons?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Yes.

Mr. CUMYN: Under the Canada Shipping Act we do not inspect vessels under 150 gross tons.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is it not about time that you did something about this? I have a whole list here.

Mr. COWAN: Mr. Winch was talking about a boat being overloaded after leaving the dock. What about the Plimsoll line? The crew can tell whether a boat has been overloaded from the Plimsoll line, can they not?

Mr. CUMYN: The regulations require a Plimsoll to be assigned to any vessel over 150 gross tons.

Mr. COWAN: So you can drown in a vessel under 150 tons.

Mr. MCNULTY: Does the department feel that it has a sufficient number of qualified inspectors to make sure that all ships are inspected prior to or on the termination of their certification?

Mr. BALDWIN: There has been a shortage of personnel in this general field. It always has been extremely difficult to recruit. We have tried training schemes in an effort to develop personnel for this work.

Mr. MCNULTY: Is this quite serious? Do many ships go long past their time?

Mr. BALDWIN: No. We do not allow the law to be bent, but we are not overly largely staffed. We are working a little understaffed.

Mr. LLOYD: What is the period for which a certificate of seaworthiness is valid? Can you give us an illustration?

Mr. CUMYN: In the case of a ship of over 150 gross tons, the certificate is valid for one year.

Mr. LLOYD: You mentioned staff. Certainly if it is valid for only one year, then a ship cannot sail without having its certificate of seaworthiness. You mentioned that sometimes you have a shortage of staff and are not able to carry out certain inspections or certain routines. Does this affect issuance of

the certificates? Are you always able to meet the time factor with regard to issuance of certificates of inspection?

Mr. CUMYN: Yes.

Mr. LLOYD: They must obtain a new certificate each year?

Mr. CUMYN: Definitely.

Mr. WINCH: I believe there may be evidence given by those in the trade later and I will not continue on with this except to say that I am most intrigued and interested, coming from the city of Vancouver where I have lived all my life except for three years, that there have been serious accidents or sinkings in the past two or three years of boats which have been licensed, declared seaworthy and which have a certificate, but which, because of actions which take place after they leave the dockside sink and there is a loss of life. To me this is a rather interesting matter. We may have some specific evidence on that either this afternoon or tomorrow morning.

Mr. CROUSE: For vessels under 150 tons is the inspection once a year?

Mr. CUMYN: Four years, except for passenger ships.

Mr. CROUSE: I would submit, in support of the statements that have been made by the officials of the department, that the captains of ships concerned certainly have an obligation to see that their ship is seaworthy.

Mr. WINCH: And in British Columbia they will be fired unless they do what the operator tells them to do.

Mr. CROUSE: In respect of a steamship being inspected, you are dealing with salt water, and a pump could be passed by a steamship inspector today and yet be found to be leaking when it is only 25 or 30 miles from shore. I feel the remarks made by our British Columbia members to be rather strange, because on the east coast at least the captains who are placed in command of a ship realize that it is not only the property that is at stake but their very lives also, unless they carry out a very careful survey of all equipment on the ship.

I would not like to see regulations drafted which would be too confining or costly to taxpayers of the country. If we were to have an annual inspection of this nature, it would be costly and in the final analysis may not solve the problem.

Mr. MACALUSO: I would like to make a comment in respect of the remarks of Mr. Winch and Mr. Cameron. I am thinking about this problem of inspection after leaving the dockside. Does that fit into any of the clauses, 6 to 27, which we are discussing now, or is this another matter?

Mr. BALDWIN: This is not a question which is involved in the proposals here.

Mr. HAHN: The suggestion has been raised that it might be helpful to have periodic and unannounced spot checks to see that our regulations are being carried out between certification inspections. Is this feasible? In other words, can one roaming inspector check about one half of the dockside?

Mr. CUMYN: You would need more than one to make it effective. I doubt whether this would improve matters because in a way it would relieve the master, at least in his own mind, of his own specific responsibility to see to it that once his ship has been properly built and fitted out it is maintained in that condition.

Mr. HAHN: In the opinion of the department is there a serious problem here or is there a serious loss because people knowingly and willingly take ships to sea in violation of our regulations?

Mr. CUMYN: No sir; we do not feel that the incidence of loss in unacceptable.

Mr. WINCH: You have had three on the British Columbia coast and two on the east coast in the last three months.

Mr. CUMYN: These are vessels under 150 gross tons. We have in mind considering some measure of inspection on them. This, of course, will need a change in the legislation.

Mr. HAHN: Are you thinking of commercial boats under 150 gross tons?

Mr. CUMYN: Yes; but here we must be careful not to make the inspection too comprehensive. Otherwise, we would need a tremendous hoard of inspectors to carry it out. In all this inspection business there is a limit to what one can do.

The CHAIRMAN: I think we have strayed away from the subject.

Mr. MACALUSO: I would like to suggest that we carry clauses 6 to 27 inclusive.

Mr. ROCK: I second the motion.

Mr. BARNETT: May I ask one question for information? I see under the definition section of the act, which is not before us, actually, that the definition of a ship is given, and I think this is related to the whole field. It includes every description of lighter, barge or like vessel used in navigation in Canada however propelled. While we are on this topic, I would like to know whether that wording "however propelled" includes ships that are not self-propelled in the sense of one being towed by another ship.

Mr. MACGILLIVRAY: The whole of the definition in paragraph (98) of section 2 of the act needs to be read:

> "ship" includes every description of vessel used in navigation not propelled by oars;

That means that within the meaning of the act the towboat is a ship subject to all the provisions which apply to ships. Then, regarding recording, registering and licensing in part I, the liability is applicable to everything self-propelled or non-self-propelled, such as barges. Barges and so on are ships unless they are propelled by oars.

Mr. BARNETT: Mr. Chairman, I think the point of my question must be evident in view of the increasing use of a very large number of self-propelled barges, or whatever they may be called, at least on the western coast of Canada.

Mr. MACGILLIGRAY: They are ships and are treated as ships in Canada.

Mr. BARNETT: And the definition of a cargo ship comes within the general definition of a ship?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall clauses 6 to 27 carry?

Mr. WINCH: May I ask Mr. Baldwin or a member of his technical staff on what basis a Canadian safety convention ship, either passenger or cargo, of 1,600 tons or more could be exempt from the radiotelephone or radiotelegraph requirements and not have a qualified operator? Here you have a 1,600 ton passenger cargo ship under the Canadian safety convention regulations whereby it can be exempt from radiotelephone or radiotelegraph, or a qualified operator. There must be some reason, but it strikes me as odd and I would like to know just what could be the reason for that exemption.

Mr. A. G. E. ARGUE (*Radio Regulations Division, Department of Transport*): The minister or the governor in council may exempt a ship on coastal waters from the radiotelegraph requirement provided it is fitted with a satisfactory radiotelephone installation. This has been done in several cases on the west coast.

Mr. WINCH: You cannot exempt them from both.

Mr. ARGUE: No; only the radiotelegraph. They cannot be exempt from having a radiotelephone, only a radiotelegraph. The radiotelephone is a much more malleable instrument and when ships are engaged in a short voyage there is no need to have a radiotelegraph as well. There still are situations in which the long range radiotelegraph must remain in effect.

Mr. WINCH: Is this in the inside passage?

Mr. ARGUE: It would depend on the voyage. This has to be judged in respect of the individual voyage schedule of the vessel in question. For instance, you do not need a radiotelegraph between Vancouver and Victoria.

The CHAIRMAN: Shall clauses 6 to 26 inclusive carry, including the amendment to clause 16?

Agreed to.

The CHAIRMAN: I think we could proceed with the question on oil pollution on clause 28?

Mr. MACAULSO: We have another amendment which fits into the first part of the act. It is an amendment to clause 1. Do you want to deal with that? We renumbered the clauses from 6 to 27.

The CHAIRMAN: We are proceeding at the present time with clauses which are technical and which relate to the international convention. We want to get rid of them first. We are now on clause 28.

On clause 28.

Mr. BALDWIN: This is the only clause which deals with oil pollution. The international convention of 1954 dealt with the prevention of the pollution of the sea by oil. That is one of the international agreements that I mentioned earlier. Its purpose is to limit oil discharge into the sea by ships in coastal waters, and to prevent it. The maritime provinces and Newfoundland have suffered quite a bit because of it. Broadly speaking the purpose is accomplished under the international convention by designating the zone or areas into which the ships may not discharge their tank washings. So this is extended 50 miles to sea from the coast of Canada. A little over two years ago at a conference in London the terms of the existing international convention were brought forward. This included a considerable extension of the prohibited areas. In the case of Canada it is up to 100 miles from land instead of the previous 50. And there have been some other minor changes including the reduction in the minimum size of the vessels, from the present 500 tons to 150 tons, with the requirement that tankers to be built in future which have a capacity of 20,000 tons should have special tanks built in to retain the washings. These changes are all designed to make the convention more effective as a result of experience gained since 1954, and the legislation is designed to implement these changes.

There is also a proposed increase in the penalty for violation of the oil pollution regulations by making this more commensurate with the seriousness of the offence and to bring the penalty more in line with those of other nations, having in mind that in Great Britain it was up to £1,000 and in the United States up to $5,000. It has been felt that the present provision of $500 may tempt some ship masters to discharge oil in the knowledge that detection of the offence might prove to be difficult, and that it would be cheaper to do so than to retain the oil on board and to discharge it into shore facilities. Basically we have tried to improve our control features by making the movement 100 miles from the coast.

Mr. LLOYD: It is such an obvious improvement to me.

Mr. WINCH: Since I come from British Columbia I am tickled to death to see in here this increase from $500 to $5,000, and this provision for imprisonment to not exceeding six months. Might I ask who would be the one imprisoned?

Would it be the engineer, the captain, or who? Would it be the owner of the vessel?

Mr. MacGILLIVRAY: The owner of the vessel is probably a corporation. The person we have normally charged for this is the master or the chief engineer. They are the people who have been fined up to now. If imprisonment were to be ordered, these would be the people imprisoned—I mean, one of them, but not both in one ship. It would be one or the other.

Mr. CROUSE: I find that an interesting observation because to my knowledge the actual command of all ships is under the direction and control of the master, and I find it strange that you would imply that the chief engineer would be more involved, because normally he would only be acting under orders from his captain.

Mr. MacGILLIVRAY: Not in pumping his tank, but the master has a defence under the regulations if he can prove that the offence took place without or against his orders.

Mr. McNULTY: Are these regulations the same for inland waters, such as the great lakes, as well as for coastal waters?

Mr. MacGILLIVRAY: Yes, they are.

The CHAIRMAN: Shall clause 28 carry?

Mr. WINCH: Mr. Baldwin and his staff no doubt know about the serious situation in British Columbia where an oil barge sank, and where it will cost perhaps $100,000 before the matter is through, and it may be years before our beaches are clear. What is the situation in a case like that?

Mr. BALDWIN: In this particular instance, because no one was doing anything about it, we in the department in conjunction with the Department of Public Works felt that we should intervene and try to remedy the situation, even though the cost may fall upon the taxpayer. We did try to use some very ingenious engineering techniques to try to raise it.

Mr. WINCH: The cost would fall on the federal government and not on the company concerned.

Mr. MacGILLIVRAY: As the law stands it does not fall on the owner of the ship or the person who caused it, except if it is in shallow enough water where it is an impediment to navigation, whereupon the Navigable Waters Protection Act would apply and you could go after the owner.

Mr. BARNETT: As I recall, being a member of a committee which considered the amendment to the act that adopted the original oil pollution convention, we had a considerable discussion at that time about having our Canadian regulations for internal waters parallel in many respects the provisions of the convention. As I understand it, this proposed amendment under clause 28 applies only to the international convention, the matter of raising the fine and so on. What action if any is involved in any amendment to the control of oil pollution?

Mr. BALDWIN: The chairman of the steamship inspection board tells me that our own domestic regulations are more stringent than the international regulations.

Mr. BARNETT: This in effect is progressive nationally. What is the maximum fine now?

Mr. MacGILLIVRAY: It is $500, whether it occurs on the high seas or internal waters.

Mr. WINCH: Are you changing the internal fine to $5,000.

Mr. MacGILLIVRAY: The $5,000 fine will apply to any oil pollution anywhere.

Mr. WINCH: This is covered by this clause?

Mr. MACGILLIVRAY: Yes.

The CHAIRMAN: Shall clause 28 carry?

Clause agreed to.

Now, the next group has to do with cabotage. We are now on clause 35.

On clause 35—*Canadian ships only may engage in coasting trade on the great lakes and river St. Lawrence.*

Mr. BALDWIN: The purpose of this clause is to provide that upon a date to be fixed by the governor in council and by proclamation any coastal shipping within the great lakes or on the St. Lawrence river or from Cap des Rosiers to West Point, Anticosti island, shall be reserved for vessels of Canadian registry. The background of the situation is that before the construction of the St. Lawrence Seaway the great lakes were in effect an area which through physical conditions were pretty well reserved to Canadian shipping. However by long standing local arrangements under the commonwealth merchant shipping agreement in respect of trading with Canada as well as to other purposes of that agreement, it has been open to vessels of British registry, not just limited to those of Canadian registry.

Following the opening of the seaway it became possible for much larger vessels to move into the great lakes area. The reason this particular problem came to the fore some years ago was the fact that on the opening of the St. Lawrence Seaway and the development of much larger vessels there was quite a lot of old vessels of smaller size which were thrown up in the mothball fleet.

The Canada Shipping Act provides that no ship can be given Canadian registry if it has been built outside of Canada. Any ship built in Canada would be entitled to Canadian registry, but no ship can be given Canadian registry if it was built outside of Canada unless the Minister of Transport gives special permission. As a matter of long standing policy which has continued over the last 15 years, every time the minister has been called upon to consider the matter his discretion has been exercised in a manner which allows reasonably new ships of foreign construction to be given Canadian registry, but it has prevented old ships from being given Canadian registry except under specific circumstances where there would be an obvious measure of benefit resulting therefrom.

The ministerial policy was that a five year old ship would automatically be given Canadian registry, but if it was 10 years old, the minister would take a more careful look at the matter, and if it were over 10 years old he would say no, except under special circumstances. The purpose behind all this was to prevent the Canadian registry from becoming a haven for old and obsolete ships 25 to 40 years old, or from becoming a refuge for 40 year old vessels.

In the situation I describe following the construction of the St. Lawrence Seaway we suddenly found that a number of persons or groups were starting to make use of the British registry which, as I said, is entitled to engage in Canadian coastal trade, primarily with Bermudian or West Indian as the main registry. These were old vessels frequently, such as old United States lakers which could not have been put on Canadian registry under the policy I have just described, but by using British registry they could get these old ships on Canadian registry and thus engage in great lakes and St. Lawrence coasting trade.

We felt this was in effect defeating the purpose of the basic policy regarding the use of Canadian registry which I have mentioned, and we took this to the British government at the time and discussed it with them. They indi-

cated that under their legislation there was absolutely no hope of dealing with this, because it was their basic policy applicable also to Bermuda and the West Indies that if anybody asked for British registry regardless of who he was, he got it.

The government then said we can only achieve this by amending the act, and since these ships are going under Bermudian registry and are old ships, we have also revised the Canadian registry to restrict the trade to Canadian registered vessels only. But to do this we had to obtain the concurrence of the other parties to the commonwealth merchant shipping agreement. So we approached the issue through diplomatic channels, in Britain, Australia, New Zealand, and so on, and asked for their concurrence in amending the international agreement, and the legislation here is now designed to give effect to this amendment to the commonwealth merchant shipping agreement to which the other parties have agreed.

I should add perhaps that we do not believe that this will create any harm to trade, or to British interests, because this problem was created for us by Canadian shipping interests starting in this tenuous scheme of using Bermudian or West Indian registry for these old ships.

Mr. HAHN: I have two questions. First of all, are only Canadian ships allowed to trade between Canadian ports along the great lakes and the St. Lawrence Seaway?

Mr. MACGILLIVRAY: No. This legislation would affect at the present time any British registry ship, and it may do this.

Mr. HAHN: What about foreign ships not British or Canadian?

Mr. MACGILLIVRAY: No, they may not.

Mr. HAHN: Suppose an American ship carries a cargo to the head of the lakes. Can they drop off cargo at Toronto or Hamilton on the way down?

Mr. MACGILLIVRAY: No.

Mr. HAHN: Why is this?

Mr. MACGILLIVRAY: In the same way that this rule applies to foreign air lines, which may not carry a passenger between Toronto and Ottawa, for example.

Mr. HAHN: You mentioned that the specific purpose of this was to prevent circumvention of the law by allowing old ships in effect to be given the status of Canadian registry. Why would this be detrimental if the ship could compete efficiently. Why do we prevent this?

Mr. BALDWIN: I think there is a combination of interest involved. First of all, we would never have a modern fleet built up if this type of development took place; and in addition, you have the problem of the role of our own Canadian shipping industry. Every time an old ship comes in, we thereby restrict the possibility of a new ship being built in Canada.

Mr. HAHN: Do you know if these old ships are able substantially to undercut overseas shipping and transportation costs?

Mr. BALDWIN: This would vary from trade to trade in my opinion, because some of the new built ships are highly automated and extremely efficient. But some of the older and heavier bulk trade, with little or more depreciation, can compete, and can cut their rates down lower.

Mr. TUCKER: What is the age limit of ships which can receive Canadian registry before being referred to the Minister of Transport?

Mr. BALDWIN: All cases have to be referred to the Minister of Transport. There is no statutory requirement or regulation governing them. This has been a policy matter within the jurisdiction of the government and the minister ever since I can remember. The standard period has been roughly five years.

Mr. TUCKER: And over a five year period you would take a sharper look at it?

Mr. BALDWIN: We would start to look at it more carefully; and when it comes to the 40 year old ones, we would not be too happy about it.

Mr. TUCKER: What about those of from 10 to 20 years?

Mr. BALDWIN: Well, these have been accepted normally, and our officials who advise the minister have tried to look at particular circumstances to see whether they are of benefit to a particular trade or industry and not detrimental to other aspects of Canadian shipping or shipbuilding. In cases where older ships have been allowed to have Canadian registry, regard has been had to developments in the Atlantic provinces.

Mr. TUCKER: Suppose a ship were in good condition. Would it be looked upon by the minister as favourable?

Mr. BALDWIN: That is why the restriction was limited to the great lakes, because we recognized that in other areas there are cases where British registry vessels are performing a very important domestic service, and the great lakes have always been regarded as pretty much of a Canadian preserve.

Mr. CROUSE: I wonder if for the benefit of the committee the deputy minister of transport could give us a little better idea of the countries and groups which would be basically affected by this legislation, and the groups which would benefit from it?

Mr. BALDWIN: I do not think that any other country would be affected in a major fashion by this legislation because, as I have said, ships which have moved on to Bermudian registry or to West Indian registry were engaging in great lakes trade for instance, and were refused Canadian registry, yet in many cases they were owned by Canadian corporations. But as far as benefits are concerned, I do not think I can say much more than I did in my attempt to answer Mr. Hahn a few minutes ago.

Mr. WINCH: May I ask a question about the other side of the picture? What is the position under this if foreign countries who have very definitely incorporated Canadian companies cease to build ships in Canada to take advantage of the 35 per cent subsidy and are removed outside of the Canadian registry? What is your position there?

Mr. BALDWIN: I am not quite sure that I follow this, sir. The foreign company having built a ship in Canada places it on Canadian registry. That is your point?

Mr. WINCH: I know that since this shipbuilding subsidy came in, companies outside Canada have taken advantage of it by incorporating in Canada so as to be able to build in Canada and have the benefit of the 35 per cent federal government subsidy. My understanding is that after a certain length of time they can move them to foreign registry.

Mr. MACGILLIVRAY: This is done by the maritime commission, not the department. I speak from general knowledge but my recollection is that they are required to maintain their Canadian registry for a specified period of time.

Mr. MCNULTY: Could I move that clause 35 be adopted?

Mr. MACALUSO: I second it.

Mr. ROCK: Are you trying to eliminate ships in Canada which are over 20 or 25 years old? Is this the intention of your department?

Mr. MACGILLIVRAY: Not so much to eliminate as to prevent the rapid increase that we were afraid was taking place. I may also have said that even with regard to newer ships. This is a point I should have made earlier perhaps. We were faced with a situation whereby Canadian operators said to us, "If you

let this go on, we will have no choice but to take some of our newer Canadian registry vessels and put them under West Indian or Bermuda registry".

Mr. MACALUSO: It only deteriorates shipping more than it is now.

Mr. WINCH: In the view of some it is not such a good idea for them to accept Liberian registry.

Mr. ROCK: There is no intention in your department to get rid of ships which have always operated in Canadian waters which are over 25 or 30 years old?

Mr. MACGILLIVRAY: Not if they are safe.

Mr. MACALUSO: Mr. Chairman, I second the motion.

The CHAIRMAN: Motion agreed to.

Mr. MACGILLIVRAY: We now come to clauses 2 and 30 regarding small boats. I went into this at some length in my introductory remarks and I do not know what further details would be needed at this stage. Basically, the purpose of clause 2 is to make it possible for us, in dealing with the licensing of small pleasure boats, to make arrangements for some other agency, party or group, to engage in this licensing function on our behalf if arrangements can be worked out for this. Hitherto, this licensing function has been carried out by the national revenue customs officers, but it is now becoming quite a burden to them. As I indicated at the outset, basically we feel that while there is a great public demand for increasing regulations in the pleasure boat field, this is spotty and varies a great deal from point to point. The circumstances in the western end of lake Ontario, for example, would be quite different from the circumstances in the bay of Fundy or on the east coast of Newfoundland, or on lake Winnipeg.

Therefore, our whole objective in both these clauses is to put ourselves in the position where we have the necessary statutory authority, since this is a federal responsibility, not only to regulate but also to use agents in regulation, the concept being that then the provinces, in their knowledge of the municipal position, would act, if they so desired, in any given instance, based on the powers that we could pass on to them under the Canada Shipping Act.

Clause 2 deals primarily with the licensing function, while clause 30 deals with the restrictions on certain waters. You might have a situation in which a given municipality says they would like to have only outboards up to 20 horsepower operate on these waters because it is too dangerous to have others. Our whole objective is to co-operate with the provinces. We have met with them on several occasions. Quite frankly we have found that their attitude varies a great deal; some are anxious to co-operate with us, others are a little reluctant to move on this, but there are at least some who feel they would like to be in a position to advise us on how these powers could be used on a local basis. If this legislation is passed, we would then be proceeding with some further provincial discussion to try and carry the matter a little further.

Mr. MACALUSO: I am very pleased to see these amendments to the shipping act as they appear in clauses 2 and 30 because, as Mr. Baldwin stated, these licensing regulations of small pleasure craft are long, long overdue. I know that in my own area they are going to cry out for more regulations and more licensing of small pleasure craft because in the years to come I think more and more people, as they become more affluent, will purchase small pleasure craft.

The thing I was a little concerned with, as to regards to discussions that have been carried out with the provinces, has already been answered by Mr. Baldwin.

However, there is this matter of the licensing agency. Would the province concerned set up a licensing agency or would the municipality or county set up this agency? What do you have in mind as regards this separate licensing agency?

Mr. BALDWIN: I can speak in terms of our objectives, not what might actually happen. We feel it would be unwise for us to attempt to deal directly with the individual municipalities, that in so far as the position of a given municipal area is concerned we should work through the province. Whether a province, in any such case, felt it was willing to take on a licensing function or not, or whether it wanted to have it done at the municipal level, would be for the province to determine. We have not seen any great enthusiasm in the licensing area at the provincial level. We ourselves have some feeling that if there should be such a desire at the provincial level, they have already a ready made mechanism in the automobile licensing field which is much better for this purpose than our national revenue customs service.

Mr. MACALUSO: I am very happy to see the department has a national policy as far as licensing and regulations are concerned. This puts an onus on the province to do something about it. I would be prepared to move the adoption of clauses 2 and 30.

Mr. ROCK: Before that happens I should like to say that I am not too happy about this since we have those opting out agreements. This is strictly a federal matter. Before adopting those clauses I would like to know specifically what their intention is. It is very difficult, when you have areas such as lake St. Louis and the great lakes where licensing right now is done by the federal government, to see it being given either to the provinces or to the municipalities in that area. These pleasure craft travel from province to province, therefore this should be strictly a federal matter, and the agencies should be under the federal jurisdiction and they should stay under this federal jurisdiction, especially in view of these opting out agreements. In spite of the fact there is a trend for the federal government to keep its jurisdiction in federal matters we now try to find ways and means of transferring this responsibility to the municipal and provincial authorities. I think this should stay in the federal hands.

Mr. HAHN: I disagree with Mr. Rock's comments. There are areas such as Muskoka lake and lake Ontario used by a lot of boats, and those stay in one province. Certainly, I could give you the example of the issuing of hunting licences in the province of Ontario which is the provincial responsibility and yet every corner gas station has been given the authority from the provincial government to issue these licences. I see no reason at all why the existing provincial or municipal authority cannot take over this job on behalf of the federal government.

Mr. FOY: Those would be federal licences.

Mr. LLOYD: In the case of the city of Halifax, the city has actually complete control over the operations of small aircraft as far as safety is concerned. Therefore, there is already an operating agency in the case of the city of Halifax. I can visualize the kind of legal position in which you are regarding the offering of co-operative advantages both to the municipality and the federal government without any giving away of federal authority. They will be acting as an agency for you.

Mr. LANIEL: Mr. Chairman, the point brought up by Mr. Rock has some validity as far as pleasure boats that would travel from one corner to another are concerned.

Mr. FOY: This is a federal licence.

Mr. ROCK: We were not told these things. I am only thinking of the licensing part of it. I am not thinking of the other regulations concerning speed, power, and so on. I am thinking strictly of licensing and the power to license. My thinking is that this should stay in the federal hands.

Mr. LANIEL: I do not agree with the latter part of Mr. Rock's statement. I think that if a small municipality becomes an agent of the provincial govern-

ment in issuing licences, their authority should be limited to the area of the municipality. I think there should be a provision, in the case of a cruiser, for example, which wanted to travel from lake St. Louis to lake Ontario, which would take care of some kind of a process for obtaining the licence directly from the federal government.

Mr. MACGILLIVRAY: I think the answer is that because the statutory authority is the federal authority, the basic legal authority will be vested at the federal level and we would be then in a position to prevent a parochial approach to licensing which would prevent the licensing of a cruiser going from lake Ontario to lake St. Louis.

Mr. LANIEL: The only thing you would permit is for the municipalities or provinces to restrict their regulations rather than to extend them in comparison to the standard of the federal government regulations.

The CHAIRMAN: Are clauses 2 and 30 agreed to?

Clauses agreed to.

Mr. BARNETT: It does seem to me, in the light of the fact that our friend here seems to be exercised on this matter, it is clear, on reading this clause, that the authority for making regulations still rests with the governor in council. I might suggest that there is a long standing parallel to what I envisage might develop in that the federal government has had arrangements in regard to the jurisdiction over inland fisheries for many years. However, as I have noted, in every case any proposed regulations have to be validated by a federal order in council. I would like the deputy minister to make it quite clear that that would be the kind of practice that might develop in connection with licensing. My parallel is to the federal governor in council passing regulations in respect of inland fisheries.

Mr. MACGILLIVRAY: Yes, in the way the provinces would like them to be passed, but still on a national basis of approach which would prevent any unfairness in the treatment of individual provinces.

Mr. BARNETT: I have one related question. In his introductory remarks the deputy minister made reference to the fact that a number of years ago there was a lengthy discussion which took place after which authority was granted for the issuing of licences to operators of small boats. I understand that this has been held in abeyance ever since. I am wondering whether the department may have in mind that if this proposed change is implemented in respect of the licensing of boats through agents it might result in a feasible method of issuing operators' licences.

Mr. MACGILLIVRAY: The answer is yes, this is part of the same pattern. We have come to the conclusion it would be a very difficult task to establish a federal machinery for the licensing of small boat operators, but basically this could be done through provincial or local authorities if the need arises.

Mr. MACALUSO: You will have further discussions with the provinces?

Mr. MACGILLIVRAY: Yes. For example, British Columbia has been one of the provinces which was very interested in this.

Mr. CROUSE: I must confess at this stage in our discussions I am personally a bit confused having listened to Mr. Rock's presentation. I read in the act that you are going to prescribe that records be kept and returns be made by licence issuers. Is it still the intention of the Department of National Revenue, which governs the customs officers, to issue these licences? Is this your plan under this act?

Mr. MACGILLIVRAY: The present system of licensing of small boats—not of operators—by customs officers will continue unless and until something new develops as a result of the discussions with the provinces, in which case it might be varied.

Mr. CROUSE: Then at the moment it is still the intention of this act to have the licences granted only by the customs officers?

Mr. MACGILLIVRAY: That is right.

Mr. CROUSE: Supplementary to that then, you are planning to carry on negotiations with the provinces relative to each one taking over the licensing and the policing?

Mr. MACGILLIVRAY: The policing is now taken care of, in part, in the sense that any police officer, whether he is at the municipal, provincial or federal level, has a responsibility in this regard, and any municipal police force can undertake that responsibility. As Mr. Macaluso indicated, the harbours commission is doing it in Hamilton. This would not change. This would give us a complete jurisdiction over the licensing of operators, boat licensing and the restriction of the use of boats in limited waters, in the sense that we have it now. In another sense, this would be done through an agency. We lack the power now for this agency relationship. If we get that, we would then propose to discuss this with the provinces, but nothing can be forced down their throats. Where they see a need exists, we will be able to say to them, "Here we have the statutory authority, you may exercise it on our behalf subject to the approval of the general conditions."

Mr. ROCK: Mr. Chairman, I wish to submit a few things so as to more or less wake up some of the members of this committee to the demands made by the public. First of all, there have been demands that the federal government should build marinas in many inland and coastal waters. There have also been demands by many owners of these pleasure craft that the federal government should look after the lakes and streams through which they pass and for which they are licensed by the federal government. The federal government has been asked to clear rocks, look after the level of certain waters for navigational purposes. I believe this is an indirect way for the Department of Transport to wash their hands of this local matter which is the concern of every owner of a pleasure craft. Once the municipal or provincial government takes over, then, when it comes to dealing with these matters, the federal government can say it has nothing more to do with clearing those areas of rocks or looking after the water level because this comes under provincial or municipal jurisdiction. This is what concerns me.

If you allow this licensing to be taken over by municipal or provincial authorities, the federal department will wash their hands of all those responsibilities. This is one of the real reasons behind those clauses, I submit. In the past two years this department and the Department of Public Works have received many demands to do these jobs. They have found ways and means of refusing, and once this is passed they will have a good reason to say no. I am against it.

Mr. MACALUSO: Mr. Rock may have a problem in this regard, but I think this is different altogether. Mr. Chairman, there is a motion.

Mr. HAHN: I just want to make absolutely certain that I understand the provision here. It is my understanding that the federal government will make the rules and regulations for licensing and that all we do by this legislation is to enable the federal government to have somebody else do the mechanical act of issuing a piece of paper and collecting the money.

Mr. BARNETT: Are we dealing with clauses 2 and 30 together?

The CHAIRMAN: That is right.

Mr. BARNETT: I would like to ask a question. I was waiting until we finished with clause 2. I assume clause 30 is an amplification of the power granted under the present subsection 4 of section 645. What I would like to know is whether, in the application of clause 30, the same question of advanced

co-operation in dealing entirely through provincial authorities is involved as in respect of the matter of licensing. Perhaps I could give you a specific example. One of the municipalities in my constituency, I know, is quite concerned that a certain regulation should be put into effect on the manner in which navigation and use of immediately adjacent waters is carried out by ships and aircraft.

I would like to be clear whether in that kind of a situation the municipality would have to deal with the provincial authorities or whether they could approach directly the federal government either through the minister or the local member in respect of having regulations set up for that particular body of water.

Mr. BALDWIN: Well, sir, the particular clause to which you made reference, clause 30, if approved, would make it legally possible for the federal government to deal directly with this subject of restriction for a given bay or municipal area by approach from the municipality. If it wanted to, the federal government could do that. But, as a matter of policy, we feel before the federal government reaches any decision it should deal directly with the municipality since they are creatures of the province. I think we would be well advised to discuss it with the provincial government just to see whether or not they would be prepared to assume some responsibility as a channel for dealing with this municipality's request and for co-ordination purposes. I think the answer is we would still hope to work through the province but if, in a given case, there was an overpowering argument for doing something and the province did not want to co-operate the governor in council could deal with the situation directly.

Mr. LLOYD: But, the essence of control lies in the fact that the municipalities are legal creatures of the provinces, but as any power flows from provincial authority you would have to work through the province, in any event.

Mr. BARNETT: We are all aware that certain harbour areas are under the control of harbour commissions, which are empowered under their authority to make regulations and enforce them in respect of controlling the use of waters within their harbour area. But, I am referring now to seacoast waters. There are many other areas where no local harbour commission exists. In fact, I think I raised the question not long ago in respect of setting up smaller harbour commissions, and this may be one of the areas I had in mind. But, what I am getting at is this. Here is a situation, in effect, of putting in a control parallel to the kind of control exercised by the harbour commission by direct action of the Department of Transport; and other than the kind of normal representations a village commission might make about the need for a new post office building or something of that sort I do not see that the question of their being creatures of the provincial government is necessarily involved. I would like to make sure that we are not going to have to sit back and wait for a long series of pressures to be built up through provincial authorities before any action can be taken.

Mr. BALDWIN: We propose to call a provincial meeting if or when this legislation is approved to discuss these various factors and obtain their reaction.

Mr. LLOYD: The residual power to act lies with you.

Mr. BALDWIN: Yes.

Mr. ROCK: Mr. Chairman, I would like to move an amendment to the motion to the effect that this not be adopted until the Minister of Transport returns. I think I am entitled to do this because there are other programs that we have in mind and this will conflict with them. I want to ask the minister some questions, and I think I am entitled to do that.

The CHAIRMAN: Mr. Macaluso has moved, seconded by Mr. Lloyd, that clauses 2 to 30 carry.

An amendment has been suggested by Mr. Rock.

Mr. ROCK: I asked that we not adopt this until the minister returns.

The CHAIRMAN: Have I a seconder for the motion?

Mr. CROUSE: I will second the motion.

The CHAIRMAN: It has been moved and seconded that these clauses be stood.

Mr. LANIEL: Mr. Chairman, I do not see how this can prevent us from adopting these clauses. Anyone would still be in a position to put questions.

Mr. ROCK: I want to put questions to the minister.

Mr. LANIEL: Mr. Chairman, I think these clauses could be adopted and questions could be put to the minister afterward.

Mr. ROCK: But, after you have adopted the clauses you cannot withdraw from the adoption of them. It may prove to be a very dangerous procedure. Once I have made my feelings known to you outside the committee you will realize what I am speaking about. There are other committees in which you are not taking part and you are not familiar with some of the problems involved.

Mr. WINCH: Mr. Chairman, a motion to lay on the table is not debatable.

The CHAIRMAN: Are you ready for the question? The question is on the amendment, that we stand clauses 2 and 30. All those in favour? Contrary, if any?

Motion agreed to.

Mr. WINCH: Mr. Chairman, could we adjourn until 2.30?

The CHAIRMAN: I would suggest that we sit a little later because I have no hope that the members will return this afternoon.

Mr. WINCH: I understand that a delegation is here all the way from Vancouver.

The CHAIRMAN: And, there is another delegation which has not arrived yet.

We will be sitting tomorrow morning at 9.30. It was my hope that we would sit until 1 o'clock today.

I have had considerable difficulty in this particular committee in getting the members to return for an afternoon session. We all realize that the orders of the day will not be over until possibly 4 or 4:30. They are discussing the labour bill this afternoon. I am sure it will be very difficult to get a quorum. As I say, I have experienced this trouble in the past.

Mr. COWAN: Did I hear Mr. Baldwin suggest that if this legislation passed they were going to hold a provincial conference after? I know he is not a cabinet minister. I just cannot understand their holding a provincial conference after the legislation passed. I thought they held it before and then told the members of parliament about it. I congratulate you, Mr. Baldwin.

Mr. MACALUSO: Mr. Chairman, on the last vote I was under the impression that it was six and six.

The CHAIRMAN: No, it was six and five.

Mr. MACALUSO: I do not think that Mr. Foy was counted.

Mr. ROCK: Some did not vote.

Mr. BARNETT: Mr. Chairman, I think it is the normal right of any member to address policy questions to the minister.

Mr. MACALUSO: I guess I was confused.

Mr. WINCH: Mr. Chairman, if I read my notes correctly, the only other single matter which could be discussed without hearing from the delegations is liability in law. Safety standards in respect of fishing vessels have to wait until the delegation arrives.

Mr. BALDWIN: I was not aware that there were delegations in respect of fishing vessels. But, Mr. Chairman, I think we would be in a position to go ahead with clause 29 and the remainder of the clauses from 31 to the conclusion of the bill, if you so desire.

Mr. WINCH: Are you referring to these as the minor housekeeping items?

Mr. BALDWIN: Well, the liability clauses are fairly important, though very involved.

Mr. WINCH: Mr. Chairman, I have another appointment. I did not anticipate we would go beyond 12.30.

The CHAIRMAN: Well, I am in the hands of the committee, but I think it would be helpless to sit this afternoon.

Mr. ROCK: Mr. Chairman, we have not very much time left for lunch hour. There are certain duties and business we have to attend to before 2.30, and we have to have our lunch.

The CHAIRMAN: That would mean we would be unable to sit until 9.30 tomorrow morning.

Mr. ROCK: Why do you say that?

The CHAIRMAN: I have just said it.

Mr. WINCH: Do you mean that we will be unable to get 12 members at 3.30?

The CHAIRMAN: Orders of the day will not be finished then.

Mr. ROCK: Why not? There are no more filbusters.

Mr. FOY: Mr. Chairman, may I suggest that we try to obtain a quorum.

Mr. ROCK: I suggest we adjourn until 3.30.

Mr. LLOYD: Mr. Chairman, why do we not sit until 12.30. There are still five minutes left.

Mr. WINCH: We are starting a new subject, which Mr. Baldwin says is very complicated.

Mr. MACALUSO: Mr. Chairman, may I suggest we reconvene at 3.45.

Mr. WINCH: If delegates are here from as far away as Vancouver and we cannot get 12 members out of 60 for a quorum this afternoon something is wrong with the members of the house.

The CHAIRMAN: It seems to be the wish of the committee that we meet this afternoon. We will meet at 4 o'clock.

Mr. WINCH: Mr. Chairman, I move we adjourn until 4 o'clock this afternoon.

Mr. MACALUSO: If there are delegations we should be here.

Mr. WINCH: The delegation arrived yesterday and they have been sitting waiting for us to proceed.

AFTERNOON SITTING

The CHAIRMAN: Mrs. Rideout and gentlemen, I would ask Mr. Baldwin to indicate what group of clauses we might take up this afternoon. I might say that it is the intention to hold clause 4 until tomorrow. I already have spoken to interested parties who are agreeable to this procedure. We would also hold clauses 2 and 30, and then take up the proposed amendment of the minister on the flag. We might take up another group of clauses now, and I would ask Mr. Baldwin to take over.

Mr. BALDWIN: If it is suitable to the members of the committee, I would suggest that we take up clause 29 which is a clarification section. If it is your wish, I would ask Mr. MacGillivray to explain that.

Mr. MACGILLIVRAY: The purpose of this clause is to revoke sections 608, 609 and 610, and to replace them by a single short section.

Section 608 of the act prescribes the conditions under which a ship shall or shall not pay harbour dues. Section 608 prescribes the frequency of payment. Section 610 specifies dues payable for anchorage in the harbour. The actual amount of the dues already is set by order in council.

The object of this amendment is that these things—the frequency with which dues are to be payable and the amount that is to be paid for mooring or anchoring—may also be set by order in council so that we can keep up with the economic conditions and have realistic dues.

Mr. WINCH: I know I should have checked this, but I did not have time. What is the definition of a vessel? That would not include fishing boats or tugboats?

Mr. MACGILLIVRAY: It does. These would be included in the definition of a vessel or ship. A vessel is the widest possible term. Anything that is used in navigation is a vessel.

Mr. WINCH: Is there any charge made on fishing boats using the harbours?

Mr. MACGILLIVRAY: I think the normal thing is to exempt fishing vessels from harbour dues.

Mr. WINCH: Is this applicable when a fishing boat docks at a marina or a fishing dock, once it ties up, let us say, for example, at the fish dock at Vancouver, where there are very grave questions about the charges?

Mr. BALDWIN: That would be a different type of charge called wharfage. These are harbour dues, paid specifically for use of harbours.

Mr. MACALUSO: The charges in here are in respect of public harbours and do not include any harbours set up, say, by a harbour commission?

Mr. BALDWIN: No. At present this would only include government harbours. It would apply to each public harbour under the act but not to a commission. This would not apply to the national harbours board either.

Clause 29 agreed to.

Mr. BALDWIN: Clauses 31 and 34 inclusive deal with questions of limitation of liability. I would suggest that these might be taken up as a group, and I would ask Mr. MacGillivray to explain them.

Mr. MACGILLIVRAY: This group deals with the limitation of liability of owners of ships. The last time the act was amended in 1961 a number of amendments were introduced to sections 657, 658, 659, 660, 661 and 662. Those amendments were made in order to give effect to the provisions of an international convention on the subject which had been signed at Brussels in 1957. Some of the provisions of the convention were covered in 1961. The principal one was an enlargement of the ship owner's liability.

The provisions with which we are dealing here are to carry out the remainder of the provisions of the convention and bring them into our law so that we may ratify the convention.

Clause 31 provides for priorities in the distribution of the limitation fund. I should have added that these amendments have been recommended to the department by the Canadian Bar Association and the Canadian Maritime Law Association, the latter representing owners, underwriters, cargo interests, and so on. When a ship owner claims a limitation of liability, the limitation fund is set up. Clause 31 provides for the priorities in the distribution of the limitation fund; that is, a portion goes first to the life claims, and then another portion goes to the property claims. The portion which goes to claims in respect of loss of life is twenty one thirty-firsts, and ten thirty-firsts go to payment of property damage claims. If the twenty one thirty-firsts is not sufficient to pay out all the life claims, the persons with the life claims rank pro rata with the property claims in a share of the ten thirty-firsts, the smaller portion.

Subclause (2) of that clause provides that the court may postpone distribution of any part of the limitation funds until the result of actions taken outside Canada is determined. All actions against a ship arising out of a collision on the high seas might be commenced in several countries. One of the purposes of the convention is to say that there would be only one single liability amount and that suit on this liability could be brought in various jurisdictions, but the total amount payable out still would be the same. Therefore, if an action is brought in a European country and also one in Canada, in making its distribution the court would postone the distribution until the foreign claims had been determined in respect of the amount.

Mr. HAHN: This clause implements a convention of 1957?

Mr. MACGILLIVRAY: Yes, sir.

Mr. HAHN: Why were these changes not incorporated in the changes made in 1960?

Mr. MACGILLIVRAY: We had to consult with the interested parties in Canada to see whether they would want the convention ratified. In 1961 we got a portion of it in. I think the principal reason for not covering the whole convention at that time was that we ran out of time in trying to draft the amendments in order to have them ready for parliament. We put in the most essential one; that is, the one which increased the amount of liability of the limitation.

The CHAIRMAN: Are there any further questions on clauses 31 to 34?

Mr. WINCH: Yes, Mr. Chairman; I have one. I am rather curious in nature. In view of the recent declaration by General De Gaulle about gold and the gold standard, does that have any bearing on this clause which has to do with the payment of gold francs, or is it an international agreement and no matter what gold may be at today, the value of the gold franc is the same internationally?

Mr. MACGILLIVRAY: The reference to amount is stated in francs, and that figure already is in the act by reason of the 1961 amendment. The reason for stating it in francs is to achieve a direct uniformity throughout the world in respect of the amount. For instance, until we made this change, the figure in the United Kingdom was 15 pounds and in Canada it was $72.97. Now all of the countries that accept this will have it expressed in gold francs in their legislation.

Mr. WINCH: Are we affected in any way by the events in these last three weeks? I am going by General de Gaulle's statement on the gold standard and the gold franc. Does it have any effect?

Mr. MACGILLIVRAY: I do not think so.

Mr. BALDWIN: It is recognized as a good international monetary unit to be used as a standard basis no matter what happens. It also is the recognized unit that is used in a number of international conventions. The Warsaw Convention dealing with limitation of liability in the aviation field also is based on the gold franc and has been for years.

Mr. WINCH: There is the same relationship in every country regardless of how it goes up or down?

Mr. MACGILLIVRAY: Yes, so long as the United States price of gold is $35 an ounce the value in United States cents is 6.33 per franc.

Mr. WINCH: You will not have any difficulty unless the United States changes the price for gold.

Mr. MACGILLIVRAY: If it increases it, the amount that would be payable under this would be increased.

Mr. WINCH: In the same amount?

Mr. MACGILLIVRAY: Yes.

Mr. WINCH: In respect of clause 34, may I ask for an explanation of the comment under (*d*). Under new clause 34 the purpose of the amendment is to permit the release of an arrested ship, and so on, and when you get down to (*d*) it is provided that where such security has been given and is available to the claimant no judgment or decree for his claim may be enforced.

How do you explain a judgment or decree which cannot be enforced? I do not quite understand it.

Mr. MACGILLIVRAY: I think it should have said that it may be enforced, otherwise than against that security. When a ship owner has put up security and is found liable, this judgment will be satisfied out of the security which he put up, and the judgment will not be enforced by seizure of the ship.

The CHAIRMAN: Shall clauses 31 to 34 carry?

Clause 31 to 34 carried.

Mr. BALDWIN: This morning the committee approved of clauses 6 to 28 dealing with the international convention of the safety of life at sea. At that time I should have mentioned that clause 36 was included in that batch, and should have been mentioned at that time.

On clause 36.

Does clause 36 carry?

Carried.

Did you say clauses 6 to 28, this morning, Mr. Baldwin?

Mr. BALDWIN: Yes, but I should have said clauses 6 to 27.

The CHAIRMAN: What is next?

Mr. BALDWIN: I suggest with your concurrence that we next take clauses 3 and 5, which deal with the certification of officers of fishing vessels, and perhaps Mr. Morrison from the department, will explain the purpose of this clause and the objectives we have in mind.

Capt. W. S. G. MORRISON (*Superintendent, Nautical Examinations, Department of Transport*): The basic purpose of this section of course is to attempt to provide increased safety for fishing vessels. Over the years there have been a number of accidents, and by analyzing those accidents we estimate that possibly three quarters of them were preventable. For example, we found that in 247 cases over a period of 13 years it appeared that faulty navigation had caused the accident.

Mr. COWAN: Are you speaking exclusively of salt water now?

Mr. MORRISON: No, I was talking about accidents right across the country.

Mr. COWAN: You have no division between salt and fresh water?

Mr. MORRISON: No. We have included them all in one group. Over a number of years there have been various recommendations made by courts of formal investigation into accidents to the effect that masters and mates of fishing vessels—certainly of the larger fishing vessels—should be certified in order to ensure that they have some degree of knowledge of seamanship and navigation, especially in such basic things as the rules of the road for keeping out of the way of other vessels.

In clause 3 the larger fishing vessels measuring more than 100 tons gross would be required to be provided with a certificated master. For the past five or six years there has been a considerable increase in the number of larger steel-stern trawlers and so on built, and we think it is appropriate at this time to bring in this type of requirement.

There has been extensive consultations with the industry. Back in 1961 discussions were held at various points including Vancouver, Winnipeg, Halifax, Quebec, Montreal, and St. John's, Newfoundland, just to mention a few

of them. The fisheries council of Canada, which is a representative organization of fishing vessel owners, appears to be in agreement with the proposals which have been discussed with them regarding various certification requirements, for example, as to age limits which would be required, and the various items in the syllabus for the examination. I think that about covers the introduction of it.

Mr. WINCH: Might I ask a question? I presume for these three men, whether it be a master of a fishing vessel over 100 tons gross, or whether it be an owner-master, or whether it be a master operating for a company, that the same regulations would apply in each case?

Mr. MORRISON: The same regulations would apply, sir.

Mr. WINCH: Could you give us any information on the number over 100 tons gross, and those under, and as between the gill net or the trawler, and the dragger? Just where does the 100 ton gross actually start, in normal terms which laymen might understand?

Mr. MORRISON: It is difficult to get up to date figures. According to the latest figures, generally speaking fishing vessels over 100 tons gross would be getting into a large class of fishing vessels, which would most probably be trawlers or draggers, that is, of 100 tons and up.

They do, for example, go up to about 400 tons, which I believe is the largest one we have had as yet. But the majority of vessels, especially on the west coast, would be under the 100 ton gross figure. We estimated that in the 1961-1962 financial year, the latest year for which there are statistics available, in British Columbia there were 84 vessels over 100 tons gross. This is only a very small number compared with the thousands of fishing vessels across the country.

Mr. WINCH: Although I have no definite knowledge, but because I think it is rather important, I would like to ask you whether, for the west coast of Vancouver island and up the Hecate straits—which are dangerous waters—there are any types of certification or examination in view, because there are perhaps half a dozen men on each of the boats which are under 100 tons.

Mr. MORRISON: At the present time, sir, there is no requirement for the master or the mate of any vessel which is solely employed in fishing to hold any certificate or any qualification whatsoever.

Mr. WINCH: As long as it is under 100 tons, and as long as the vessel is operating?

Mr. MORRISON: This proposal in clause 3 would bring in the requirement that if the vessel measured 100 tons gross or more, then she would have to have a properly certificated master.

Mr. HAHN: Mr. Chairman, if those masters are not certificated but are masters of ships over 100 tons, would they not be given a time period in which to qualify themselves to retain their command?

Mr. MORRISON: What is intended is that those who are already sailing in command of the various fishing vessels would be issued what is called a certificate of service. This would be issued to them without any examination whatsoever. They would simply have to produce a letter from the owner of the fishing vessel or from some recognized person stating that they have been sailing as masters of fishing vessels for a certain period of time, and automatically these men would be issued this certificate of service which would entitle them to continue in their employment until the end of their lives.

Mr. HAHN: Would it not be desirable to conduct an examination of these people to see if there are gaps and deficiencies in their training, and to make provisions to have them update themselves in order to retain their commands?

Mr. BALDWIN: This was considered at length in the Senate hearings as a matter of fact, but the basic principle eventually adopted was that while we should not lose sight of that objective, possibly we should not make it compulsory, and that our real objective should be to accept the situation as it is now so that no one would lose his livelihood, and to make it possible to bring in a certificated class.

Mr. WINCH: Does this mean that everyone who has had a certain amount of experience and a certain number of years is going to get a certificate, and that it will be automatically granted to him?

Mr. BALDWIN: Yes. That is taken care of in clause 5(1)(*b*).

Mr. WINCH: Clause 5(1) says:

> The governor in council may make regulations respecting the certificates of competency and service to be held by masters and mates of fishing vessels, including regulations prescribing,

Does this mean that perhaps it will differentiate between those who are strictly operating within the coastal waters of British Columbia and those who will go outside? Is that why you have a differential in the types of certificates for master and mate? If you are a master you are a master, and if you are a mate you are a mate. Does that mean that if you are only operating in inland waters it will be of one type, but if you take your vessel outside territorial limits you will require something different to qualify as master or mate?

Mr. MORRISON: The original proposal circulated to the industry contained three types of certificates; first of all, there was a certificate as a mate which would allow him to be a mate anywhere; secondly, a certificate as an inshore master which would be good in inner waters, as it were; and thirdly, a senior type of certificate which would allow him to take his fishing vessel anywhere within the waters normally fished.

Since that original proposal was circulated, the lower limit of required certification has been increased from 25 tons gross to 100 tons gross. It is intended that there should be further consultation with the industry before implementing any regulations. As a result of this increase from 25 tons gross to 100 tons gross I rather doubt whether there is any necessity in having two different types of master certificates, because if the requirement is only for over 100 tons gross, then this automatically means the larger fishing vessels which are, to the best of my knowledge, all employed in deep water fishing, in offshore fishing. So there is no apparent need, as we see it now, for having a lower grade certificate for, say, the great lakes or the inshore waters.

Mr. WINCH: Does that mean that basically there will be no difference, under this plan, between the qualifications for a masters certificate on inland waters or outside?

Mr. MORRISON: No, there would not be.

Mr. WINCH: By inland waters I am referring now specifically to the British Columbia coast where you are within the three mile limit, which has now been extended to a twelve mile limit.

Mr. MORRISON: No, there would be no difference, so long as the vessel rates over 100 tons gross, when she must carry a certificate of master.

Mr. WINCH: Whether it is in the 12 mile limit or outside?

Mr. MORRISON: It does not matter where she fishes.

Mr. GRANGER: Most of my questions have been answered, but I would just like to ask the following one: Am I right in assuming that the certificate of service which you give is based on the fact that the man has been in this business for some time, has a great deal of practical knowledge and has proven his capacity to be master of the ship engaged in fishing?

Mr. MORRISON: Yes, this is the approach to it.

Mr. GRANGER: Might I ask one other question with respect to small vessels engaged in a home-trade voyage activity; do they come under the same regulation or is this regulation confined solely to those engaged in fishing? I was thinking of the small type of coastal vessel which engages in coastal activities, and these are usually small ships.

Mr. MORRISON: These are dealt with partially in clause 3(*b*)(ii) which reads as follows:

> ... are principally employed in fishing, do not carry passengers and are employed on waters within the area within which a home-trade voyage may be made.

Is this the type of vessel you are speaking about, which spends so much time fishing and so much time coasting?

Mr. GRANGER: And there are some which spend all their time coasting.

Mr. BALDWIN: Those are dealt with under a separate act and under separate regulations.

Mr. CROUSE: Mr. Chairman, the witness has stated that the vessel owners are in agreement on the changes proposed in this act. In view of the impact that this is bound to have on coastal fishing fleets I wonder if you could tell the committee some of the names of the firms with whom consultations were held. How wide was the inquiry relative to these changes?

Mr. MORRISON: Yes. This was discussed in general with the fisheries council of Canada. In Newfoundland it was discussed with the Newfoundland Fish Trades Association. In Nova Scotia it was discussed with the Acadia Fisheries of Mulgrave, the Booth Fisheries of Petit de Grat, the National Sea Products, both the 40-Fathom Division and the Sea Seald Division, the Zwicker Company of Lunenburg, Ritcey Brothers in Riverport, the Lunenburg Sea Products Limited, and Adams Knickle of Lunenburg.

Mr. CROUSE: Might I ask whether you received concurrence from these different companies with the changes that are proposed in so far as they apply to masters, mates and engineers?

Mr. MORRISON: Yes, indeed. As a matter of fact I understand that the consensus of opinion in Nova Scotia is that we do not go far enough in our requirements under the proposed regulations.

Mr. CROUSE: Was any question raised with regard to clause 4, subclause 2(*a*) which deals with engineers of small ships?

The CHAIRMAN: We have not yet come to it.

Are clauses 3 and 5 agreed to?

Clauses 3 and 5 agreed to.

On clause 37.

Mr. BALDWIN: Clause 37 is a clause which provides that certain sections of this bill shall only come into force on proclamation by the governor in council. Basically this would apply to the sections which deal with the international convention on safety of life at sea, the clause that we have just been discussing regarding the bringing into effect of new regulations regarding fishing vessels and the great lakes cabotage section. The reason for asking that there be some delay in making these effective is the fact that in each case we must have further consultations and get regulations ready before they can be implemented.

Clause 37 agreed to.

On clause 1—*Cargo ship.*

The CHAIRMAN: Clause 1 is a definition clause. Are there any questions?

Mr. MACGILLIVRAY: I have just one explanation. All of the definitions affect clauses 6 to 27, and not the other clauses.

Mr. MACALUSO: We have already adopted this. I move that clause 1 be approved.

Clause 1 agreed to.

The CHAIRMAN: It is a little early to adjourn. I thought we would spend the whole of this afternoon on these clauses but the committee has been very efficient. We are now holding back clauses 2 and 30 until the minister is here tomorrow. We will then consider the very important clause 4. I understand that Mr. Cook has a very important brief which could be read this afternoon. Tomorrow we will have the boat owners.

Do you want to deal with the flag clauses now?

Mr. MACALUSO: The minister has already spoken about them this morning; we could deal with them now.

The CHAIRMAN: A member of the committee should make a motion.

Mr. MACALUSO: I move:

That Bill S-7, an act to amend the Canada Shipping Act be amended

(1) by adding thereto, immediately after clause 1 thereof, the following clauses:

2. Section 87 of the said act is repealed and the following substituted therefor:

Penalty for unduly assuming Canadian character.

87. (1) If a person uses the *national flag of Canada* and assumes the *Canadian* national character on board a ship owned in whole or in part by any persons not qualified to own a Canadian ship, for the purpose of making the ship appear to be a Canadian ship, the ship is subject to forfeiture under this act, unless the assumption has been made for the purpose of escaping capture by an enemy or by a foreign ship of war in the exercise of some belligerent right.

Burden of proof.

(2) In any proceeding for enforcing any such forfeiture the burden of proving a title to use the *national flag of Canada* and assume the *Canadian* national character shall lie upon the person using and assuming the same.

3. Section 89 of the said Act is repealed and the following substituted therefor:

Penalty for acquiring ownership if unqualified.

89. If an unqualified person acquires as owner, otherwise than by such transmission as hereinbefore provided for, any interest either legal or beneficial, in a ship using the *national flag of Canada* and assuming the *Canadian* national character, that interest is subject to forfeiture under this act.

4. Subsections (1) and (2) of section 91 of the said act are repealed and the following substituted therefor:

National colours for ships, and penalty on carrying improper colours.

91. (1) The *national flag of Canada* is hereby declared to be the proper national colours for all Canadian ships and all ships and boats that would be registered in Canada if they were required to be registered at all, belonging to any British subject resident in Canada, except in the case of any ship or boat for the time being allowed to wear any other national colours in pursuance of a warrant

from Her Majesty or under regulations which may be made by the Governor in Council.

Offence and penalty.

(2) Where a ship or boat described in subsection (1) flies

(*a*) any distinctive national colours other than the *national flag of Canada;* or

(*b*) the colours or pendant usually carried by Her Majesty's ships or any colours or pendant resembling the colours or pendant of Her Majesty, without a warrant from Her Majesty or pursuant to regulations made by the governor in council,

the master of that ship or boat, or the owner thereof if he is on board, is guilty of an offence and liable on summary conviction to a fine not exceeding *five* hundred dollars or to imprisonment for a term not exceeding six months or to both such fine and imprisonment.

and by renumbering clauses 2 to 37 accordingly.

(2) by striking out clause 40 thereof and substituting therefor the following:

40. (1) Section 1, sections 9 to 30 and section 39 of this act shall come into force with respect to Canadian ships, and with respect to ships registered in any other country on a day or days to be fixed by proclamation of the governor in council

(2) Section 6 and section 38 of this act shall come into force on a day or days to be fixed by proclamation of the governor in council.

My suggestion is that if we are going to have a discussion, this amendment should be agreed to.

Mr. McNULTY: I second the motion.

The CHAIRMAN: It has been moved by Mr. Macaluso and seconded by Mr. McNulty that Bill S-7 be amended as read. All those in favour? Contrary?

Motion agreed to.

On clause 4.

The CHAIRMAN: Mr. Cook, who is our next witness, would like to present a brief. Gentlemen, before we proceed I think it would be desirable to ask Mr. Cumyn of the Department of Transport to explain clause 4. I think it would be advisable for us to hear this before we begin listening to the briefs.

I will ask Mr. Cumyn to give us a short explanation of this clause.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch, Department of Transport*): Mr. Chairman, in 1960 we were contacted by the tugboat owners in British Columbia, who asked us to take a look at that part of clause 115 which requires all steamships having a nominal horsepower of over 10 to carry an engineer on watch at all time.

An engineer is described in the Shipping Act as a "certificated engineer".

The ship owners pointed out that owing to the advent of automation, tugs in the 10 to 15 nominal horsepower category in some cases are being fitted with instrumentation on the bridge which permits the mate on the bridge to maintain a surveillance over the machinery, thus rendering unnecessary the carriage of an engineer on watch at all times.

They also pointed out that new types of machinery which were coming into vogue on ships are more or less designed on the basis of the kind of engines that are being used to drive motor cars and aeroplanes. As distinct from the old type of marine machinery, they are designed to operate for so many hours more or less without attention, after which they are taken down for overhaul.

The Board of Steamship Inspection, in response to this request, sent one of our most capable engineers to the west coast to look into the matter. He had discussions with the ship owners and the representatives of the Marine Engineers Association, and he visited some of the tugs. He came back to Ottawa and recommended that we consider exempting certain tugs from the necessity of carrying a certificated engineer on watch at all times. Exempted tugs would be those of over 150 gross tons, having engines of a nominal horsepower of between 10 and 15, and properly instrumented from the engine room to the bridge so that the officer on watch could maintain a check on conditions in the engine room. He also recommended that only tugs that did not proceed on voyages greater than home trade III or inland waters II should be exempted.

The board considered this matter, having in mind that it did represent more or less the advent of automation on ships, and that the United States competition with which these tugs on the west coast engaged does not require engineers on tugs of this category. They decided this was a reasonable request. So we proposed this legislation as written in clause 4.

Mr. McNULTY: I am not familiar with the term home trade III and the term inland water II. Just what do you mean by that?

Mr. CUMYN: Home trade III, sir, connotes a limit of 15 miles off the coast. The same applies to inland water II.

Mr. HAHN: Could the witness give me a definition of 15 nominal horsepower? What is the meaning of that? What is the relationship between nominal horsepower and brake horsepower?

Mr. CUMYN: Sir, shall I launch at this time into a description of nominal horsepower?

Mr. HAHN: Perhaps you could just give me an indication of the equivalent, let us say, of the brake horsepower of the engine.

Mr. CUMYN: Nominal horsepower represents the capacity of an engine to produce power. It is based on the total cylinder area of an engine or the total swept out volume. Its advantage is that in its calculation there is no chance for dispute or disagreement because it is based upon non-variable factors of the machinery. It is a rough estimate of the capacity to produce power.

Brake horsepower, sir, is the actual horsepower being developed by an engine operating under a given cylinder pressure and rate of revolutions.

The objection to the use of brake horsepower as a criterion for the act in this case is that in its calculation two variables have to be considered. In other words, the rate of revolutions at which an engine is being operated can be varied by the operator at will, and so can the cylinder pressure, to some extent. Therefore, if we were to use brake horsepower as a criterion, it is quite possible that a ship owner or manufacturer would come along and want us to down-rate an engine in order to get it under a certain limit, and their argument would be that they were going to operate this engine at fewer revolutions than those set by the board in calculating the brake horsepower.

Mr. WINCH: Mr. Chairman, I did not know we were going to discuss this aspect, but since we are doing so may I ask the witness a question? I think it is a very specific one.

I would like to ask the witness if nominal horsepower is a scientific measure of either potential or the actual output of an engine. If so, will the witness say whether nominal horsepower rating is the same in all countries?

Mr. CUMYN: The answer to your first question, sir, is no. It is not a scientific measure of the horsepower being produced by an engine. It is a rough estimate of the capacity of an engine to produce power. It is used as a means of comparing engines in other countries by automobile associations

that have more or less the same problem as that with which we are faced in the department in grading engines, and for the same reasons. The moment you enter into brake horsepower you get into the question of the rate of revolutions, and who is to decide what is the rate of revolutions as applied to any particular engine?

Mr. WINCH: Would you say that nominal horsepower on marine engines is basically the same under the various acts of the world that govern the type of operation in which we are interested now?

Mr. CUMYN: Sir, may I quote from Dyke's "*Automobile and Gasoline Engine Encyclopoedia*", 20th Edition, page 1042.

Mr. WINCH: That is concerned with gas engines? Does it also apply to diesel?

Mr. CUMYN: This is an authority on internal combustion engines, sir.

Mr. WINCH: You said gas. I wondered if it covered all internal combustion engines.

Mr. CUMYN: Apparently not. It gives a measure of the power of internal combustion engines, and whether they are gasoline or diesel does not make any difference.

Mr. WINCH: I understand. I did not want to interrupt you. But I was not asking you what Dyke says—and, by the way, I know something of that book—I was asking you about the legislation of the various countries. What is their interpretation? Do their acts vary on nominal horsepower?

Mr. CUMYN: I understand that the Department of Transport have some form of nominal horsepower computation. I am not certain of the method used by the United States Coast Guard.

Mr. WINCH: Do you know about the situation in Australia?

Mr. CUMYN: I am not certain about that.

If you would permit me, sir, I would like to read from this volume of Dyke because it does show that other people who are faced with this problem solve it in more or less the same way. This is a method of computing horsepower which has been devised by the National Automobile Chamber of Commerce.

It reads:

How to Figure the N.A.C.C. Formula

This formula is used by all leading manufacturers and by the license offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxation and similar purposes. It is not an engineering formula, and does not accurately represent the power actually developed by the engine. The formula is expressed as follows:

$$\text{Horsepower} = \frac{(\text{Diam. in inches})^2 \times \text{number of cylinders}}{2.5}$$

Question: What is the N.A.C.C. horsepower of a four-cylinder engine which has a 4-inch bore?

By referring to the table below, one 4-inch bore cylinder is 6.4 and 4 cylinders of 4-in. bore is 25.6 h.p.

This is arrived at as follows: $\text{h.p.} = \frac{D^2 N}{2.5}$.

D^2 (diameter squared) $4 \times 4 = 16$.

N (number of cylinders) $= 4$.

2.5 (constant).

Therefore the horsepower is $\frac{16 \times 4}{2.5} = 64 \div 2.5 = 25.6$ h.p.

It will be noted that the stroke of the cylinder was not taken into consideration at all.

They say how to figure the N.A.C.C. formula. It says that this formula is used by all leading manufacturers and by the licence offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxing and similar purposes. It is not an engineering formula and it does not accurately represent the power actually developed by the engine.

Mr. WINCH: Would you repeat that.

Mr. CUMYN: It is not an engineering formula and does not accurately represent the power actually developed by the engine. The formula is expressed as follows. The horsepower is the diameter in inches squared, multiplied by the number of cylinders, divided by a factor. In other words, it is basically the same formula we use in the department.

Mr. WINCH: Do you also agree with the statement that it does not accurately represent the actual power of the engine?

Mr. CUMYN: There is no question about that, sir.

Does anyone wish to put any questions on nominal horsepower?

The CHAIRMAN: Have you made your explanation?

Mr. CUMYN: Yes.

The CHAIRMAN: Now, we will ask Mr. Cook to proceed.

Mr. ROBERT F. COOK (*President, C.B.R.T. & G.W., Local 425, Vancouver*): Mr. Chairman, before I read the brief I would like to make clear to the members that we are actually asking to have this proposed changed legislation withdrawn. This brief is being presented to explain our case and to propose a submitted change which would not hurt our people too much if the legislation was changed at this time. I will give you reasons orally, after the brief is read, for which we would like to have this legislation withdrawn at this time.

Mr. Chairman, would it be all right if Captain Meadows read the brief? Then I will give my submissions later.

The CHAIRMAN: Yes.

Captain E. W. MEADOWS (*Assistant Secretary, Canadian Merchant Service Guild, Vancouver*): Mr. Chairman and honourable members:

We are appearing to present the views of our members, the certified marine engineers and masters and mates of Canada, whose intimate, practical knowledge of the matters covered by section 115 of the Canada Shipping Act should be of some assistance to the committee.

At this time we should like to draw the attention of the committee to the following factors having a direct bearing on any changes in the provisions of section 115, namely:

1. The protection of human life and property
2. The technical considerations involved
3. The employment picture

For the sake of clarity and brevity, this submission is limited exclusively to these matters. Our specific recommendations regarding changes in section 115 are listed as the concluding section of this brief.

I. Effect of proposed changes in section 115 on protection of human life and property

Safety is the number one priority in legislation and regulations affecting shipping, as the many sections and provisions dealing with this matter in the Canada Shipping Act testify. Yet safety will be compromised under the proposed revision under the following circumstances:

(*a*) tugs of not more than 150 gross tons, powered by internal combustion engines of not more than 15 N.H.P., in waters not more open than would be encountered in a home-trade voyage class III or an island voyage class II, under conditions prescribed at the minister's discretion, *are relieved of the necessity of carrying sufficient certificated engineers to ensure reasonable periods of watch.* Generally the result will be to eliminate one engineer from these vessels as presently operated;

(*b*) vessels with internal combustion engines of less than 8 N.H.P. and 600 B.H.P., (regardless of the size of the vessel) *may operate on any voyage with no engineer*;

(c) vessels of more than 15 gross tons, with internal combustion engines of 8 N.H.P. to 10 N.H.P. and 600 B.H.P., *may operate with no engineer on home-trade class III voyages of less than 10 miles, and on all home-trade class IV and minor water voyages.*

These provisions may allow vessels of up to 1500 B.H.P., and up to 150 gross tons, to operate without an alternate engineer to cover all watches. Even more dangerous is the fact that vessels of unlimited size can operate in any waters, with main propulsion units of 765 B.H.P., with no engineer aboard, e.g. vessels now in operation:

Vessel	Length	Gross Tonnage	B.H.P.	N.H.P.
Island Challenger	91′	165	765	7.8
Black Bird II now Gulf Bird	92′	98	765	7.8
La Brise	90′	182	765	7.8

Note: These vessels can operate in any waters without a certificated engineer.

The hazard to life and property arising from absence of a qualified engineer, can be illustrated by imagining one of these tugs towing a heavily laden scow or large boom of 1½ million fbm of logs when for some reason the engine conks out. The very much greater weight of the tow compared to the tug, both of which are proceeding at the same speed when the engine fails, means that the tow has correspondingly greater momentum. It will require much more time and distance to overcome the momentum of the tow than of the tug. In other words, the tug will be unable to get out of the way and the tow will plow into it. Exactly this situation occurred on February 16, 1960, when the scow towed by M.V. *Myrmak* in the Fraser river sunk the tug, resulting in the loss of two lives. The captain of the tug, Ronald Maxim, was quoted by the press as stating: "The engine had conked out, it may have been air in the fuel line, we could not pull away from the scow, it kept pushing the tug into the water."

Of course, exactly the same hazard is presented to any other person or structure unable to move out of the way of an uncontrolled tow.

The essential protection assured by the presence of a qualified, experienced engineer where engines are operating was well stated by the Ontario special committee on revisions of the operating engineers' act and regulations made thereunder—

> After hearing the evidence presented, the committee does not consider that the operating personnel can be replaced entirely by automatic equip-

ment and controls. While it is true that such equipment can and does add to the safety of operation, it is man-made, maintained and adjusted, and therefore, is subject, in some measure, to human limitations. Moreover, a person has five senses, namely: sight, hearing, touch, taste and smell, all of which are used every day and hour and when he is accustomed to a certain environment or field of activity, he reacts subconsciously to slight changes in that environment. A common example of this is the almost intuitive sension of slight changes in rhythm of a running motor or other machinery, which the experienced operator recognizes, but other observers do not. Also, the circumstances that temperatures are rising to an undesirable degree is frequently indicated by a slight change in smell. These are senses that could possibly be replaced by various kinds of electronic or other controls but the number, variety and complexity involved in such replacements would probably be prohibitive in complication, cost and maintenance.

(Report of special committee,
June 1963, pp. 24-25)

The job of an engineer on a vessel is not only to sense trouble and act quickly to head it off, but also to effect repairs quickly and expertly. He is completely on his own, with no garage mechanic and tow-truck nearby to come to his aid as in the case of an auto engine failure on the highway. On him rests the whole responsibility of keeping the machinery in good order, and fixing it when anything goes wrong In these situations, on his actions depends the safety of everyone on the vessel or involved in its movements.

Although modern engines and control apparatus have added greatly to the reliability of vessel operation, they have also had the effect of making expert supervision and care more indispensable. The increased power output of modern marine diesels in relation to their weight tends to accentuate engine vibration, often leading to fractured fuel or oil lines. The combination of vibration from wave motion and engine often leads to plugged bilges when the vessel rolls and pitches. Introduction of more sophisticated auxiliary equipment increases the need to ensure that these systems function properly, or are quickly repaired when they do not.

II. Technical Considerations of Setting Limit Below which Vessels can be Permitted to Operate Without Engineers

In proposed subsection (2) of Section 115, the limit is set in size of vessel at 150 gross tons and in power of internal combustion engines at 15 nominal horsepower. In proposed subsection (2*a*) of section 115, the lower limit is set in size of vessel at 15 gross tons, in power of internal combustion engines at 8 to 10 nominal horsepower and 600 brake horsepower, and in type of voyage at home-trade voyages class II of ten miles in length, or of class IV, or of a minor waters voyage.

The use of nominal horsepower (N.H.P.) is ambiguous and dangerous. Nominal horsepower is not a scientific measure of either the potential or actual output of an engine. It is simply an arbitrary convention, based on only one of the variables in engine design which help to determine its output. It may have had some usefulness in roughly classifying early engines, but it is quite fictitious and misleading in the present stage of advanced engine design, particularly of marine diesels. There is no connection whatever between an engine's N.H.P. and its actual output. It is entirely feasible to design two diesel engines with the same N.H.P. but with widely different brake horsepower (B.H.P.) outputs. For example: a Werkspoor RUB-160, 12-cylinder diesel has a N.H.P. of 8 and a B.H.P. of 650; while a Caterpillar D398, a 12-cylinder, has a N.H.P. of 7.8, but a B.H.P. of 1090.

The N.H.P. is currently defined for diesels, under the Canada Shipping Act regulations, as the square of the cylinder diameter times the number of cylinders divided by 60 (or by 45 for opposed pistons). Whereas the theoretical of indicated horse power is given by the formula—

$$I.H.P. = \frac{PLAN}{33{,}000}$$

where P=mean indicated pressure in pounds per square inch
L=length of stroke in feet
A=area of piston in square inches
N=number of working strokes per minute

The output, or B.H.P., is the I.H.P. multiplied by the mechanical efficiency factor of the engine, a fraction less than unity. It is thus obvious that there are a number of other variables besides piston size which determine the capability of an engine, and these cannot be expressed by an arbitrary number 1/60 for all conceivable single acting diesel designs.

The following quotation from a standard reference book widely used by marine engineers emphasizes the point, that B.H.P. is the accepted method of engine rating:

> "Stating that an oil engine develops a certain horsepower is apt to convey a wrong impression regarding its actual capabilities, unless the type of engine and manner of driving the injection compressor, scavenging and cooling water pumps etcetera is also given. For instance, in some designs the injection air compressor is driven from the main engine, while in others it is independently driven. Also in the case of two engines of the same I.H.P. one operating on the two-cycle and the other on the four-cycle principle and each having the air compressor directly coupled the four-cycle will be capable of doing more useful work than the two-cycle engine, since in the latter part of the I.H.P. will be expensed in driving the scavenging pumps, unless of course, they are independently driven. For these reasons the power of oil engines is generally stated in terms of actual power developed on the brake test or B.H.P."

(The Running and Maintenance of the Marine Diesel Engine, by John Lamb, 5th edition 1945, Charles Griffin and Co. Ltd., London, pp. 691-2)

Under modern practice involving the increasing use of hydraulic, pneumatic or electric control and auxiliary apparatus, the reliability of auxiliary engines becomes just as important as of the propulsion engines. The continuous proper functioning of auxiliary engines for wheelhouse control, bilge level alarms, fire detection and other safety devices is obviously of vital importance. This means that the total B.H.P. of all engines in a vessel should be the criterion for judging the need for engineers in attendance—not just the B.H.P. of the propulsion engines.

In this connection it might be noted that there are instances of a self-propelled dredge being classified as a ship where the main propulsion engines may be 1,000 B.H.P., with pumps requiring an additional engine output of 4,000 B.H.P.

The Australian practice in setting B.H.P. requirements for certified engineers recognizes exactly this problem and combines the B.H.P. of both propulsion and auxiliary engines to set the standard.

It should be noted that the Americans use the method of combining brake horse power with tonnage to determine their certificate requirements.

III. Effect of Lowering Standards on Marine Engineers

At a time when engines are becoming increasingly powerful and control apparatus increasingly complicated, it seems unwise to alter standards in

a manner which tends to downgrade technical skill and experience. The immediate result of the proposed changes in section 115 will be to throw 200 to 300 certificated engineers out of jobs on the west coast alone. A secondary, long-term effect will be to discourage entry into the profession and significantly narrow the training opportunities for lower rank engineers to qualify for higher certificates.

The government shipbuilding subsidy program in recent years has given new stimulus to expansion of Canada's lake and coast-wise fleets. Now there appears to be some possibility that some similar government encouragement may be forthcoming to stimulate redevelopment of Canadian deep-sea operations. In view of these prospects, it would seem most inopportune to place a new impediment in the way of attracting and training men in the marine engineer's profession. Where are the new, qualified engineers to come from if the training grounds on small vessels are reduced or eliminated?

In the United Kingdom, before anyone may act as an engineer, "certificated" or "non-certificated" he must have served an apprenticeship of at least four years "building and/or repairing marine engines and boilers", he must also attend day and night classes for instruction in mathematics, dynamics, machine drawing, general engineering knowledge, science and is subject to a presea oral examination by a Minister of Transport surveyor to be graded as to suitability. In Canada, there are not such stringent requirements, although some steps have been taken in past years by the Department of Transport to improve the minimum standards for marine engineers; in 1932 a motor certificate was introduced, in 1954 it was recognized that modern machinery had made considerable advances and the 3rd class engineers certificate was revised to permit its use as chief engineer on vessels of 25 nominal horse power or less. This was a trend in the right direction, which should not now be reversed. Any action by government to downgrade the standards of any technical or skilled workers is surely a retrograde step with serious implications for the future in this day of rapid technological advance.

IV. Employment Picture

Rather than portray a picture of the whole towboat industry on the west coast of Canada, we will show what has taken place in just one company, and, following the normal trend, what will probably take place in the near future.

STRAITS TOWING LTD.

Vessels recently taken out of operation

Vessel	B.H.P.	No. of Engineers
Wilmae Straits	450	2
Montague Straits	230	2
Pacific Chief	450	2
Georgia Straits	400	2
Haro Straits	450	2
	No. of engineers removed	
Total horsepower	1980	10

Because engineers on towboats work an 84 hour week, they work on a day on, day off basis. This means there would be two crews for each vessel, in other words the removal of $10 \times 2 = 20$ engineers.

Vessels built to replace the above vessels:

Vessel	B.H.P.	No. of Engineers required by proposed legislation
Neva Straits	800	1
Haro Straits	765	
Rosario Straits	765	
Georgia Straits	765	
Malasapina Straits	765	
Total Horsepower	3860	Total Engineers 1×2=2

Probable Future Changes in the same company:

Vessel	H.P.	Gross Tons	No. of Engineers
Charlotte Straits	800	185	2
Fury Straits	750	181	2
Hecate Straits	500	175	2
Magellan Straits	500	177	2
Broughton Straits	375	150	2
Burnaby Straits	400	101	2
Total H.P.	3325	Total Engineers	12×2=24

All of the vessels named above could be re-engined with 765 B.H.P. engines with a N.H.P. of 7.8, and will not require a certificated engineer under the proposed legislative changes. These vessels would then have a total horsepower of 4590.

In order to circumvent the proposed legislation, operators could, and because of economic competition, probably would, change their heavy-duty engines with high nominal horsepower, for high-speed engines similar to the 765 B.H.P. Caterpillar, which has a nominal horsepower of 7.8. This will probably result in the removal of from two to three hundred certificated engineers from the towboat industry. Many of these men have devoted most of their lives to help build this industry to the very healthy condition it is in today.

Following from the foregoing remarks, we wish to place before the committee the following specific recommendation:

> Section 115, subsection 2(*a*) should be amended by deleting the word "and" from the fifth line and substituting therefore, the word "or".

This subsection would then read:

> 2 (*a*) Every ship of more than fifteen tons gross tonnage, other than a passenger ship or a pleasure yacht, powered by internal combustion engines of more than eight but not more than ten nominal horsepower or of more than six hundred brake horsepower as determined by the board shall, when making any voyage other than a home-trade voyage class III of not more than ten miles in length, a home-trade voyage class IV or a minor waters voyage, be provided with the following:
>
> (*a*) if the ship is not solely employed in fishing, a third class engineer, duly certificated, and
>
> (*b*) if the ship is solely employed in fishing, a chief engineer of a motor-driven fishing vessel, duly certificated, and subsection (2) does not apply to the ship when making such voyage."

In addition to the above stated specific recommendation, we recommend:

1. We respectfully request all members of this committee to request the setting up of an "Inquiry" or "Commission" to investigate

and study the Canada Shipping Act, with a view to completely revising this act so that it will become more compatible with the modern marine operation of today.

2. We further request all members of this committee to recommend a closer liaison between the steamship inspection branch and the Canadian coast guard, with a view to establishing a better policing action for the maritime industry. We feel that better utilization of all of the forces of both departments will have a strong influence in preventing marine accidents rather than the present method of taking remedial action after the mishap has taken place.

With the permission of the chairman, we request the opportunity to present an oral submission to further elaborate on the above recommendations.

Respectfully submitted on behalf of: The Canadian brotherhood of railway, transport and general workers. The national association of marine engineers and the Canadian merchant service guild.

The CHAIRMAN: Thank you very much, Capt. Meadows. Now, I do not know if Mr. Cook has a further brief to present at this time, or whether we should wait until tomorrow morning, since it is now 5.30, before we go into any further discussion or have comments from Mr. Cook.

Mr. WINCH: Perhaps Mr. Cook at this time could present the specific recommendations he has to make.

The CHAIRMAN: I would like to think we might allow Mr. Cook to make his presentation, and leave our questioning of him to tomorrow morning.

Mr. COOK: My presentation will be quite lengthy, and perhaps it might be wiser if you permitted me to leave it until tomorrow morning.

The CHAIRMAN: You say it will be quite lengthy. All right. Mr. Cook suggests that his presentation will be rather lengthy and that he would prefer to wait until tomorrow morning. Is that the wish of the committee.

Agreed.

FRIDAY, February 19, 1965.

The CHAIRMAN: Good morning madam, gentlemen, and Mr. Pickersgill. The minister is here this morning. Yesterday we stood clauses 2 and 30, and I think this might be a good time to open up this matter which may not be very long.

Mr. ROCK: I do not think it will be very long. I was the one who asked them to be stood because we actually discussed clauses 2 and 30 together. I was more particularly interested in clause 2 of this bill where they are repealing sections 107 to 113 of the act and replacing them by a new clause 107, simplifying six past sections.

On looking through these sections I see they are eliminating a lot of articles which were very important before. Now, in the simplification of this, and according to the explanation which Mr. Baldwin has given us, it is my understanding that in a sense, somehow, indirectly, the Department of Transport is opting out, as they did in the past, respecting pleasure craft.

What I am concerned about is that, as was stated yesterday, they are possibly going to give some powers to municipalities to license, or to provinces to license, and as this is strictly a matter of federal jurisdiction, I have objected to the adoption of this clause.

If this means that we are more or less indirectly opting out by handing over jurisdiction for licensing of small craft to provinces and municipalities, then we are going in the wrong direction with the opting program.

In general opting out by provinces is in the direction of their own jurisdiction, and they will of course be collecting revenues I believe in their own jurisdiction, and taking over that jurisdiction.

Since the matter of navigation and even pleasure craft is directly a federal matter, I was afraid that we might be going indirectly out of that business. I am particularly worried about the fact that many members of parliament would like to see the federal government expand more with pleasure craft, with going into the building of marinas, and doing more work in the lakes where they travel or in the waters which are used for pleasure craft.

At the present time as well as in the past not much has been done by the Department of Public Works or by your department in that sphere. They have always shied away from it. Also there is the cleaning up of weeds which many municipalities have asked the federal government to do. The type of answer we usually get is that it is a provincial or municipal affair. I do not see how a municipality has jurisdiction within a lake or within the water, because its boundary lines usually run only to the shore and not within the lake. So I cannot see jurisdiction there.

If we are going to give the power to license to municipalities, it is their responsibility, or a provincial responsibility, to see that these responsibilities are there, and to look after the building of marinas, the cleaning out of weeds, and the removal of big rocks in lakes or rivers in which pleasure craft travel.

Another thing is this: we have in sections one to 10 which are going to be repealed these words:

> It shall be the duty of the chief officer of customs at every port or place in Canada to furnish such licence, without fee or reward...

This is as far as I will go with that. We are indirectly eliminating the old section 107 and adopting a new section 107 and we are actually now giving permission to collect a fee which I do not think many of the members here realize.

Another thing is this. I do not see why we have to eliminate all these clauses just because, as I understand it, and as was explained by Mr. Baldwin yesterday, they are finding it difficult for customs officers to do this job, and are looking for other agencies. I believe that we already have the agencies in practically every municipality, and I refer to the postal department. Therefore I do not see any difficulty in transferring this duty from the customs to the postal department, and moreover you may have an office of the Department of Transport itself to issue these licences. I do not see why we have to go through all these changes for a simple explanation such as, "They are having a difficult time, and they are having some difficulty in the customs officers issuing these licences".

If this is what is difficult, we already have many other agencies directly connected with the federal government, and I do not think we should start looking for more agencies such as municipal authorities or provincial authorities.

Hon. J. W. PICKERSGILL (*Minister, Department of Transport*): I think I might reply to each of these points. First of all, with respect to jurisdiction, there is no way that by an ordinary act of parliament the federal authority can be divested of its jurisdiction by transferring it to any province or municipality. To do this would require an amendment to the British North America Act, and at the present time we would even have to go to the parliament at Westminster to get it.

There is no thought here at all of attempting to do anything which would divest this parliament of jurisdiction. It would be quite beyond our power to do it anyway; and there is no thought of doing anything to divest

us of a responsibility which under the British North America Act belongs to the parliament of Canada.

It has happened in many fields that it has been much more convenient to use provincial or local agencies, and to hire them as agents to do certain things because they have their employees in the field. I think most of us feel that a proliferation of bureaucracy leading to the acquisition of more and more civil servants is not in itself a good thing.

If there is a real function to perform, that is one thing; but if there is not, then I do not think it operates much to the glory of the national parliament to authorize a municipal or provincial government to do it, or to hire extra bodies to do something which can be done in spare time by somebody else.

Now so far as the waters of the St. Lawrence are concerned, where there is real navigation, as it was understood by the fathers of confederation, I do not think anyone has any thought of delegating any kind of responsibility. I say responsibility here, not jurisdiction, because the latter cannot be delegated.

But there are in every province that I know of, even in the driest provinces, inland lakes where the only kind of navigation is done with boats which have outboard motors and things of that sort. To my mind it has always been utterly ridiculous to have the government of Canada wasting the taxpayer's money concerning itself about these things.

They are purely local matters, and if there is some way that a local official—it may be the local police in the course of their ordinary duties—can see that any regulations which we think fit to make are properly enforced, surely this is just plain ordinary common sense, and that is all that is contemplated so far as this is concerned.

Now, as to the other question which Mr. Rock has raised, the question of saying that we must give it free at the expense of the Canadian taxpayer.

Mr. ROCK: Not that we "must", but that we have been.

Mr. PICKERSGILL: That we must.

Mr. ROCK: No, I did not say that we "must". I said that indirectly we are approving this idea without realizing it.

Mr. PICKERSGILL: The present section 110 would make it illegal, I think, for any customs officers or anyone else to charge in these cases the owners of pleasure craft in Canada who, in my view, should not expect to get the service free from the taxpayers.

There are an awful lot of Canadians who do not own pleasure craft, but who pay taxes, too. I do not see why, if I happen to own one of those craft myself, why I should not be perfectly prepared to pay reasonably for a licence if one should be required, just as my son pays for his bicycle licence, and his dog licence, and so on. It does not seem to me that this is a proper kind of charge upon the generality of taxpayers. If the owner of a pleasure craft cannot afford to pay 50 cents for a licence, which covers the cost of printing and out of pocket expenses, I really do not think that any of us will weep very much for him.

If we are going to have to license these things—and I do not want to license anything in Canada which does not have to be licensed; I want to live in a free country where you do not have to license anything if it can be avoided—there are some good reasons why small craft should be licensed in places where traffic is heavy, and where there is real navigation. The Department of Transport has no thought of transferring that authority to anybody, because we want to make sure that we have the greatest safety for navigation.

But in the inland lakes, and in such waters as the Trent canal, where the amount of commercial traffic is not very conspicuous, where it is more a matter for the local police, it seems to me to be only a sensible arrangement

to give them the responsibility in the matter, and the freedom to make sensible arrangements, and that is all that is in contemplation. It is not a matter of handing over the jurisdiction of parliament.

Mr. ROCK: Well, Mr. Pickersgill, I like the way you more or less divide the navigation aspect of it compared with the small lakes up north. Then of course you mention craft with outboard motors. But there are on the St. Lawrence river more craft which operate with outboard motors than there are in any of the lakes up north or in any part of Canada. Yet you fail to mention that you also intend to do the same thing as far as regulating small craft on the St. Lawrence is concerned, because you just mentioned that you had no intent. I know there is no intention to give up jurisdiction over the heavier craft.

Mr. PICKERSGILL: I cannot conceive where in the St. Lawrence traffic is so heavy there could be any divided jurisdiction at all. I think every kind of craft in the St. Lawrence would have to be under the direct control of the Department of Transport or whatever federal agency has responsibility for safety of navigation.

Mr. ROCK: I was more worried about that than about the lakes up north.

Mr. PICKERSGILL: I think this bill would permit an arrangement to be made where it was sensible to make it, but it would not be sensible to make it for the St. Lawrence at all.

Mr. ROCK: That is very good news. I was worried, because I come from a county where we have 17 municipalities, 12 of which contain water which is navigable; so I could not see any municipality getting into this field at all.

Mr. PICKERSGILL: Neither can I.

Mr. ROCK: Within the jurisdiction of the St. Lawrence, as far as a municipality is concerned, there is lake St. Louis and the lake of the Two Mountains.

Mr. PICKERSGILL: I could not see that either.

Mr. ROCK: It is directly concerned with the lakes which are navigable but not connected one with the other.

Mr. PICKERSGILL: We cannot do it any way, unless there is some locality which wants to do it. We do have the feeling that in the Trent canal system, for example, we might be able to make some arrangement with provincial and local authorities who are very concerned about the pollution of that waterway, and so are we. We might be able to make some arrangements for a unified system so it would really be effective, because there is a very thin line even in the jurisdiction on the question of pollution. But the control will always be in the government of Canada because that is where the jurisdiction will remain.

Mr. ROCK: That is very good. I am very satisfied with your explanation.

Mr. FOY: I move the passage of clauses 2 and 30.

The CHAIRMAN: Shall clauses 2 and 30 carry?

Carried.

Now, we are on clause 4.

On clause 4.

Yesterday we heard a brief presented on behalf of the Canadian brotherhood of railway, transport and general workers, and the national association of marine engineers of Canada incorporated, and the Canadian merchant service guild, by Capt. Meadows. I understand that Mr. Cook has a further submission to present. However I was wondering at this time if you would like to hear from the Department of Transport on the brief, before we go into further brief from the same source?

Mr. MACALUSO: Mr. Chairman, would it be in order to allow the marine engineers to finish?

The CHAIRMAN: All right, Mr. Cook, would you proceed.

Mr. ROBERT F. COOK (*President, C.B.R.T. & G.W., Local 425, Vancouver*): Mr. Chairman, when we broke off last night my colleague had finished reading the brief, and on the way out I was rather chastised by one of the members of the steamship inspection service on one of the statements in the brief. I will clarify this particular statement.

On page 11 it states in the bottom paragraph:

> In order to circumvent the proposed legislation, operators could, and because of economic competition, probably would, change their heavy duty engines with high nominal horsepower, for high speed engines similar to the 765 B.H.P. caterpillar, which has a nominal horsepower of 7.8. This will probably result in the removal of from 200 to 300 certificated engineers from the towboat industry.

In order to clarify that statement it should read:

> In order to circumvent the proposed legislation because the proposed legislation does not go far enough, operators could, and because of economic conditions...

You will note in our brief we suggested that one word be changed, namely that the word "and" be changed to "or". What this would do would be to actually give some recognition to brake horsepower. As it is stated now, "and 600 brake horsepower", still leaves the controlling factor as the nominal horsepower, and the nominal horsepower, I think, has been agreed to by the members of the Department of Transport, as being actually a meaningless thing. It does not really give a true indication of the amount of horsepower turned out by an engine. This proposed change would give our people partial protection. We do not think it really will give them all the protection we need in this because, in actual fact, we really think what we are trying to do is to plug a leaky sieve by filling in one hole at a time.

In our estimation, actually what should be done—and we would be 100 per cent in favour of it—is that if changes are to be made a real inquiry should be made into the whole Canada Shipping Act. We think the Canada Shipping Act is an outmoded document. It really is antiquated, and it should be brought up to date. However, I said yesterday that we were going to give a reason why we felt this proposed legislation should be completely withdrawn, and the reason for this is that we are in the process of setting up a research program into the over-all towboat industry, with a view to looking into the technical changes, safety and manning within the industry. Now, this program is being put under the auspices of a new division in the Department of Labour, manpower consultative services.

This service was set up to look into any industry at the request of the people in the industry who are faced with mechanical changes in their industry, mechanization, automation, or whatever you want to call it. The reason we approached the manpower consultative services for assistance was the fact that we were having tremendous difficulty within the industry of trying to determine the proper manning for this new type of vessel that was coming up. We could not agree. There are four unions in the field and the four unions, amongst themselves, could not agree. There were 46 towboat companies and not any three of them could agree what the proper manning should be for this new type of vessel. The industry was getting into a terrific mess. We were approaching negotiations and it was agreed by management and by the unions that if we brought this problem of manning into the negotiations

a strike was inevitable, and that it was rather futile and stupid to bring something in which we knew automatically was going to cause a strike. So, we approached manpower consultative services and asked them if they could make any suggestions how we could avoid the possibility of a strike. We set out our problem of manning and asked them how to approach the mechanization problem that we have facing us. They agreed that what should be done is to have an extensive research program brought into the industry. We agreed to this and management agreed, and the other two unions in the field also agreed to it. When I say the two unions in the field I am referring to the two unlicensed unions. We started to have meetings to discuss this. We agreed finally on a chairman for this program. He is Dr. E. D. MacPhee, 2588 Wallace Crescent, Vancouver, British Columbia. He is a retired dean of the faculty of commerce of U.B.C.

A program memorandum was drawn up and signed by 46 towboat companies and the four unions, and it will go into effect immediately.

Now, the statement of purpose for this program is as follows:

Purpose and Mechanics

1. (*a*) A joint consultative committee shall be established consisting of at least one responsible representative from the companies and at least one responsible representative from each of the unions. A chairman, or two co-chairmen, and a recording secretary shall be elected from within the joint consultative committee.

(*b*) A research committee shall be established consisting of two individuals appointed by the companies and two by the unions. A research chairman-director will be retained to be responsible for performing research and planning with the aid of the research committee and under the direction of the joint consultative committee.

(*c*) Mr. E. D. MacPhee, 2588 Wallace Crescent, Vancouver, British Columbia, has been appointed to the position of research chairman-director.

(*a*) The purpose of this program shall be to examine all aspects of "manning" for the present and foreseeable future in the towing industry with the aim of preparing recommendations for consideration by the joint consultative committee.

(*b*) In carrying out this purpose the research committee shall have due regard for the rights, obligations and responsibilities of all parties, and shall equate the needs of technical efficiency with those of sound industrial and human relations as well as safety in the industry.

(*c*) The research committee shall report regularly to the joint consultative committee and will consult regularly in preparing its recommendations.

As you will note, the statement of purpose was deliberately left very broad because we know there are many changes that are going to have to take place within this particular industry because of the new type of equipment that is coming into the industry.

Now, one class of vessel was highlighted within this document. This class of vessel is the one that has been causing us all our problems. I am referring to a vessel that has been built extensively on the west coast under the new ship building subsidy. There are more than 40 of them that either have been built in this particular class or have been re-engined to this particular type. I mention 40 because they have been building them so fast we honestly cannot actually keep an up to date figure on how many there are.

So, we have put in a special page covering just this particular type of class. Now, ironically, this is exactly the class of vessel that will be left uncovered by this proposed legislation. This is the type of vessel that has in the neighbourhood of 765, 700 or 750 horsepower. One of the things that is happening and has happened in the industry is this; not only are they building new vessels in order to circumvent—and we used this word yesterday, and for economical reasons this probably what is happening—this proposed legislation, by building many of this particular type of vessel because, of course, it is the thinking of management that they can put fewer crew members aboard and make it more economically feasible, but they also have been re-engining other types of vessels. All the departmental people, when questioned yesterday about the size of fishing vessels, and particularly when questioned in respect of a 100 ton gross vessel, pointed out that such a vessel was a large fishing vessel. Well, let me tell you that a 100 ton towboat and up is a large towboat. You will note on page 2 of our brief some of the examples of some of the vessels that have been re-engined, which will not be covered by this proposed legislation. The *Island Challenger* is 91 feet, 165 gross tons, has 765 horsepower and 7.8 nominal horsepower. *Black Bird II* (now *Gulf Bird*) is 92 feet, 98 gross tons, has 765 brake horsepower and 7.8 nominal horsepower. The *La Brise* is 90 feet, 182 gross tons, and has 765 brake horsepower and 7.8 nominal horsepower. These vessels can, and many times do, go anywhere at all on the west coast.

The proposed legislation makes it unnecessary for this type of vessel to have a man aboard who is capable of handling the mechanical problems. What would happen if these vessels were off Vancouver Island, where there is probably the most treacherous water anywhere in the world, and the engine broke down? There is no one aboard this vessel who is capable of repairing the engine on the spot. They could be in very heavy weather and lose the vessel and the lives of the crew members aboard the vessel.

We think, therefore, that this legislation leaves a loophole with regard to this type of engine.

Many things can be done with this engine. Many vessels can be converted to this type of engine. An engine of 765 horsepower is almost double that of most of the towboats on the west coast until about three or four years ago.

Mr. PICKERSGILL: Mr. Cook, I did not have the good fortune to be here yesterday. I would like to ask for clarification on one question.

You are not objecting, I take it, to what is in clause 4 but rather to the fact that it does not cover enough vessels. Is that a correct understanding?

Mr. COOK: Yes.

Mr. PICKERSGILL: Very well. I just wanted to make sure that I understood.

Mr. COOK: If this legislation goes through as it is proposed, we are prepared to go into a 10 month research program. It has been decided that a very extensive research program will be undertaken over a 10 month period into the type of problem with which we are trying to deal here. This type of research has not been done by the Department of Transport. It is true that a man came from Ottawa and went aboard a few vessels, and so on; but he did not sail these vessels in the type of circumstances in which it would be necessary to sail to understand the problems that can come into the picture. It was almost assumed that these vessels would not be outside vessels but would be in the Gulf of Georgia area or the inland water area of the Pacific coast. This legislation does not give the necessary protection.

The steamship inspection department have confidential instructions. I do not know the contents of those confidential instructions because they are just that—confidential. From what I can understand of those instructions, they

insist that someone aboard the vessel must have sufficient mechanical knowledge to satisfy the inspector, whether he be certificated or not. This is all very fine except that the steamship inspection department goes aboard these vessels once a year, and when they go there is a man there who is to be responsible for the engines. They talk to this man and question him, and they find out that he is a capable person, so they say that everything looks fine; and then they go up the dock. But they are no sooner up the dock than that man is up the dock too, and off goes the ship with no one aboard the vessel capable of making any repairs to the engines. This does not happen very often. In 99 per cent of the cases engineers are carried on these vessels and 95 per cent of these people are certificated engineers.

The act does not say that the vessels have to carry these engineers. The owners themselves wish to carry the engineers aboard the vessels because they, of course, can see that it makes sense, that it is one method of protecting their property. However, the danger is that there are one or two per cent who start to operate without an engineer, and they are therefore operating at a cheaper cost. And because they operate at a cheaper cost, they start bidding on contracts against someone who does hire an engineer, and the one without the engineer, operating at the lower cost, gets the contract. This starts a treadmill of economics because then the second man has to cut his costs. How is he going to do it? If the first man did it by dropping an engineer and putting a deck hand in his place, saving a few hundred dollars a year, this is what the second man has to do in order to compete.

We say there have to be changes and there should be changes that would stop this type of abuse.

Furthermore, we have heard about so-called, automated vessels. I always get a little angry when I hear the word automation because most people use that term when they are not really talking about automation at all, they are talking about mechanization and technological change. And it is technological change that we have in the industry right now. These changes are coming into the industry and therefore we, in conjunction with management and the vocational schools in Vancouver, have set up new educational courses for engineers. The vessels for which we were setting up these courses are the vessels which are called automated vessels. These courses have been established for the engineers who work aboard the vessels so they can upgrade their knowledge and learn about the new types of equipment coming into the industry. I am talking now about equipment dealing with pneumatics, hydraulics, electronics and things our people have not needed to know about until this time.

Management agrees with us that we have to upgrade the knowledge of these people and yet, on the other hand, it is said that these vessels are automated and therefore do not need anyone aboard them to protect the machinery.

To carry this subject of automation a little further, when this type of vessel came into being it was almost double the horsepower of the vessels being replaced. They took an engineer away from the vessel. We did not disagree with this; we did not disagree with the idea of taking away an engineer. We agreed with management that they did not need a man aboard 24 hours a day, constantly watch keeping, because now we have wheelhouse control and alarm systems. Therefore, as I have said, we agreed to take away this one man. However, not only did they take away the one man—and this is the part of the automation that amazes me—but they also took away a deck hand and, in many instances, a cook. We have never been able to figure out how they got the cook off the vessel through automation, but this has taken place.

Mr. MONTEITH: Have you never heard of a can opener?

Mr. COOK: That is exactly what has replaced the cook!

May I reiterate that if this proposed legislation goes through it will set one of the ground rules around which this research program will have to revolve. We think this would be very unfair to us at this time. We think there will be a better opportunity to find out more about this type of equipment after the research program. We feel that the Department of Transport should, in conjunction with the Department of Labour, participate in this type of program to thoroughly study new equipment. We do not mind what regulations they bring down if we know they have undertaken the proper research. Then, whatever comes after this, we have already agreed that we will accept the recommendation of this chairman; and that would be arbitrary and would continue for three years. We have also agreed that this committee, if necessary, would continue as long as other new equipment was being brought in.

It is not the case, therefore, that we are trying to stop progress or anything like that. All we are saying is that there should be proper research into this industry if new equipment is going to be used, and legislation should not be passed in a haphazard manner without extensive research.

Mr. WINCH: May I ask Mr. Cook just how the research committee is being financed.

Mr. COOK: The committee is financed 50 per cent by the federal government, 25 per cent by the companies and 25 per cent by the trade unions.

Mr. ROCK: May I ask a question, Mr. Chairman?

The CHAIRMAN: Gentlemen, we have another group here today who come from far away, the tugboat owners. I wonder if we should not hear their brief at this time so that we can have a full picture of the situation.

Agreed.

Mr. ROCK: Then may we ask questions of both groups?

The CHAIRMAN: Yes, of course. I think we should have the whole story first.

Have you finished, Mr. Cook?

Mr. COOK: I would like to say something more, Mr. Chairman, but I am afraid I will have to impose on your good nature in order to say it.

We made another recommendation in our brief, which I know very well cannot be acted upon by this committee as a committee. However, this recommendation deals with a problem that exists in the marine industry that we would like to have brought to the attention of people with knowledge of the transportation industry. This problem has been pointed out very extensively over the last couple of weeks because of a number of vessels sinking, and in a couple of instances there was loss of life. We feel this is a very important matter.

May I put this to the committee for their information rather than making any recommendation?

Mr. PICKERSGILL: May I make a suggestion, Mr. Chairman?

This is something on which I think my department would like to have a brief in writing. If such a brief were furnished to me as Minister of Transport, I would undertake to reproduce it and make it available to all the members of the committee and to any other member, and to officials of the department who are interested, in order to save Mr. Cook's organization the necessity of doing that. He has said it is not strictly relevant to this bill, but we would like to have this information because whatever we do about the Canada Shipping Act now, it is not going to be a closed book. There are obviously other changes that will have to be made in the future.

Is that satisfactory?

Mr. COOK: Yes, thank you very much.

The CHAIRMAN: May we now proceed to hear from tugboat owners?

Mr. J. Rod Lindsay is here. He is General Manager of Vancouver Tugboat Limited. Mr. Lindsay is accompanied by Harold L. Cliffe who is Manager of Canadian Tugboat Company Limited, Vancouver.

Mr. J. Rod LINDSAY (*General Manager, Vancouver Tugboat Limited*): Mr. Chairman, Mr. Pickersgill, hon. members, we appreciate the opportunity of appearing before you and presenting our thoughts in regard to Bill No. S-7.

I received a telephone call at seven o'clock yesterday morning, when I was in bed but when you were sitting here! I apologize for not being here yesterday; we thought we would be called next week.

We were advised to submit copies of our brief.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Are there copies of the brief?

The CHAIRMAN: There are a few copies which are being distributed.

Mr. LINDSAY: As we had to publish this brief yesterday morning we were unable to have a translation made, and we were only able to bring about 25 copies.

Before I start to discuss the brief, there are a few things I would like to say.

I think both our brief and the union brief are substantially the same as those presented before the Senate committee last spring. Since that time, my good friends who appeared before me and I, along with the towboat people in British Columbia have been in wage negotiations. We have been negotiating for over six months, and therefore we have had little opportunity to think about Bill No. S-7 in the meantime. We have just settled a wage increase with all the marine unions. This has filled our days for the last six months.

The wage settlement with the towboat unions shows, I think, that the economy of British Columbia is moving at full tilt, that it is booming. We have particularly full employment. We in the towboat industry have quite a shortage of good masters and good engineers on towboats. We cannot get good men now, and there is a tremendous building program going on, so we will be even shorter of personnel.

I would like to mention something to which reference has been made this morning, but which is not mentioned in the brief; that is, the three-way agreement between the towboat operators, the unions and the manpower consultant service of the Department of Labour to go into the research project concerning crewing of vessels in the towboat industry. This is a matter of labour negotiation; that is, it is a matter being carried on in conjunction with the Department of Labour. I do not think it is a matter altogether with the Department of Transport.

I do see one problem in this. If we continue with the Canada Shipping Act legislation as we presently have it in respect of engineers, this kills the scope of our manning inquiry. The legislation we have is too restrictive to allow the manning inquiry to go on. We have to live with the Canada Shipping Act. We have to live with a binding agreement brought down by a chairman even if he comes in with something which supersedes the Canada Shipping Act. If we are going to have an effective inquiry into the crewing on vessels of the British Columbia coast, we do not want to get into something which is as restrictive as we have now.

One other remark I would like to make is that our industry on the British Columbia coast employs a total of 350 marine engineers. Some remarks have been made about displacing people, but we only hire a total of, I believe, 1,500 people in our industry, 350 of whom are marine engineers.

If I might, I would like to proceed with the brief of the B.C. Towboat Owners' Association.

The B.C. Towboat Owners' Association comprises 43 tug boat companies operating on the British Columbia coast. These companies together operate vessels of various sizes from harbour tugs to deep sea tugs, and comprise the major part of the industry, and as I mentioned previously our companies employ 350 marine engineers.

Early in 1960, our association was advised by the Department of Transport that they were reviewing certain parts of section 115 of the Canada Shipping Act and asked our views on suggested amendments which we subsequently submitted to the director of marine services and to local steamship inspection officials.

In addition, we understand that the National Association of Marine Engineers—now the C.B.B.T.—also submitted their recommendations.

Eventually subclause (3) of clause 9 of Bill No. C-98, which received first reading on May 20, 1961, included a revision covering engineers on tug boats. This revision provided that tugs of not more than 150 tons gross tons powered by internal combustion engines of not more than 15 nominal horsepower fully controlled from the bridge may be exempted from carrying the additional certificated engineer required by subsection (2) of section 115 when making voyages not more open than home trade class III or inland voyages class II.

This clause in its original form passed second reading in the House of Commons and passed the standing committee on railways, canals, and telegraph lines.

On final reading in the house, subclause (3) of clause 9 was deleted after a long speech by the hon. Mr. Harold Winch. Mr. Winch made the following statements:

1. Nominal horsepower was an antiquated term.

I understand that this statement is being made again.

2. 50 to 100 engineers on the west coast tug boats would be laid off if such an amendment should pass.

This figure seems to have been revised upward to 300.

3. Tugs operating under suggested amended regulations would be unsafe.

4. Automated engines on west coast tugs were unreliable and such vessels needed just as many engineers.

None of the above statements were factual; nor could they be substantiated by evidence. Indeed the engineers' unions have had difficulty in supplying enough men for the industry in the past two years.

After June 12, 1961, a great deal of further consideration was given to this section of the act by the department and it was subsequently passed by the Senate in 1964 in its present form.

In addition to allowing the use of one certified engineer on vessels under 150 gross tons and not more than 15 nominal horsepower on certain restricted voyages, as in the original Bill No. C-98, a further limitation has been included. This further limitation headed subsection (2) (*a*) of section 115 stipulates that vessels of more than 8 but not more than 10 nominal horsepower and more than 600 B.H.P. shall carry a 3rd class engineer duly certified. In the past no tug boat of 10 nominal horsepower or less needed to carry such a certificated engineer.

We of the B.C. Towboat Owners' Association have the following comments to make in regard to the proposed amendment (2) (*c*) of section 115:

1. We are not in favour of the 150 gross tons limitation placed on this amendment but otherwise feel that this amendment is well worded.
2. A vessel of 150 gross tons is not a large ship and, in general, must be a vessel of less than 100 feet in length.

(Note—All tugs towing log barges in British Columbia are more than 100 feet in length and by 1966 more than one quarter of the logs in British Columbia will be moved by log barges.)

3. The operation of the main engine must be fully controlled from the wheelhouse and, in fact, on all British Columbia vessels can be controlled from at least two other control positions.
This is on the flying bridge or aft on the winch.
There are controls all over the boat.

4. The minister may prescribe any other conditions which he deems advisable before making an exemption under this clause.

5. This clause only applies to vessels operating in home trade class III waters or inland class II waters which can be restricted by the steamship inspector and certainly will not allow a vessel to go more than 20 miles offshore or more than a maximum distance of 100 miles between ports of refuge.

This suggested amendment, therefore, has a great number of built-in restrictions.

Many of our members have been in business on this coast for over 45 years.

My friend here has been in longer than I have.

These men have seen tremendous changes take place in the construction, powering, and outfitting of B.C. coast tug boats. This has been particularly accented by the ship building subsidy which is now in effect, we hope.

The days of the wooden tug boat are finished and these old vessels are being replaced by modern welded steel hulls with tremendous improvement in seaworthiness and reliability.

These same operators have seen a transition from coal and oil fired steam engines to the first unreliable heavy duty diesel engine which required a continual watch for bearing failure and constant mechanical lubrication.

They have seen metallurgical improvements whereby the quality and weight of engine parts have been improved, plus the addition of many types of both visual and audible alarms being attached. Whether engines are over or under 10 nominal horsepower, they have seen the fitting of multistation automatic controls for both main engine and auxiliary equipment.

The common use of electronic aids to navigation has greatly improved the safety of crew members.

Both towboat operators and employees must agree that the modern tug boat is safer and more reliable than the older vessels for which section 115 of the Canada Shipping Act was orginally designed.

We feel also that we must outline a rebuttal to some of the arguments put forward by the hon. Mr. Winch. First of all, there are only 9 tug boats on the British Columbia coast which are less than 150 tons and between 10 and 15 nominal horsepower. Therefore, at the maximum, only 18 engineers could be displaced (2 such engineers necessary to continuously man one vessel). However, a number of these vessels have certificates which are higher than class 3 certificates and, therefore, the engineer could not be replaced. Some operators have served as engineers on this class of vessel—and I include myself as one—and it is a well known fact that these engineers do not keep a constant watch in the engineroom but spend a great deal of their watch in the galley and wheelhouse. It is therefore a fact that a 24 hour watch is not being kept at the present time in the engine room on such vessels.

If also, the automatic controls and both visual and audible alarms are not reliable, towboat operators in British Columbia as well as ship operators all over the world are wasting a tremendous amount of money.

With the strides that are being made through automation and technological advances, we of the British Columbia towboat industry feel that this section will certainly be revised further in years to come. We are sorry to see the limitation of 150 tons imposed on this section. It should be at least 200 gross tons; in fact, we believe within the next few years the industry will be requesting a limit of 250 gross tons.

We, on the British Columbia coast, must compete with foreign freighters that have taken full advantage of electronics and modern machinery to reduce crews.

Let us now consider proposed amendment subsection (2) (*a*) of section 115. From our association's viewpoint, this amendment can only be a regression after considering the foregoing arguments. With the great improvements in the reliability of modern marine engines and with all the automated controls and alarms, particularly on this size of engine which is under 10 nominal horsepower, we can see no reason for carrying any certified engineers. Vessels of this class have already been operating for over 10 years on this coast without certified engineers and, in fact, with individuals who are in charge of the engine but also perform other duties.

Certified engineers have not been required in the past on vessels under 10 nominal horsepower and it is difficult to see why they should be required in the future.

We of the British Columbia towboat industry are particularly interested in operating safe and efficient vessels. In fact, in the past five years, management has instituted and spent considerable capital on industry wide safety programs.

Because of the ship building subsidy, we have been able to put into service many new vessels which all must agree are safer and more seaworthy than vessels previously in existence. It is therefore our contention that the proposed change to 8 nominal is indeed a backward and unnecessary step which, if implemented, will lower the efficiency of the industry.

We of the British Columbia towboat industry are anxious to provide any further information which the committee might require and look forward to the opportunity of being present in Ottawa when committee meetings are held.

We thank you for the opportunity to be present.

The CHAIRMAN: Have you any further remarks?

Mr. LINDSAY: I have a few more things I would like to say if I might. I would like to point out that there is no towboat in British Columbia which comes under the jurisdiction of the steamship inspection which has had a loss of life through sinking, stranding or engineroom failure on the British Columbia coast in the past five years. We have had the odd case of a man being hit by a towline and knocked overboard; that was a deckhand. We had another case where a person fell off the wharf. There have been deaths in our industry, but not through mechanical failure, sinkings or strandings of vessels over 15 gross tons which are covered by steamship inspection. There is one way to have a 100 per cent safe vessel; this is to have the vessel tied up at the dock and not operating. In this case there would be no crew on board and there would be no problem.

Mr. COWAN: The *Noronic* burned at the dock in Toronto harbour.

Mr. LINDSAY: If we are to get down to this type of restrictive legislation, it could put us back so far that there would be no jobs. There is a terrific expansion in the primary industries on the west coast which we service, such as the pulp and paper industry which will double between now and 1970. Our business has increased 50 per cent in the past five years, and we feel in the next five years it should increase another 50 per cent. This means new vessels, more jobs and more engineers. We cannot obtain engineers right now to serve on our vessels. We are able to get the odd one temporarily who is waiting

for the fishing season to open. They all want to take off as soon as the spring arrives and we are left without sufficient men to operate our vessels.

We have three main concerns in the twoboat industry today; first, to remain competitive in the lumber, pulp and paper and mining industries. Second, we have to be able to find the capital to keep up with growing industry. The third concern is, that we have to find the labour force and the men to man our equipment. These are three of our prime concerns on the west coast today.

We note that within 35 miles from Vancouver, across the American border, the Puget sound towboat industry has no restrictions whatsoever on vessels up to 200 gross tons. They have no inspections of any description. We have inspection at 15 gross tons. We are competing back and forth in business with Puget sound.

Now we are concerned with all competition, not only American competition. We have to compete with Norwegian vessels operating from British Columbia moving newsprint to California with Norwegian crews. Norwegian wages, being fully automated, with vessels 10 times larger than we are operating, and with no watch necessary in the engineroom.

One of our big competing companies, MacMillan and Bloedel, are building a big ship now to try to compete on the Canadian coastal trade in moving newsprint down there. We feel that further regulations are absolutely unnecessary in lowering the limits for safety's sake, and we feel that we are running a safer operation today on the British Columbia coast than we have ever operated before.

We have problems in getting employees. We feel that further legislation will cause us to have more problems in this regard. The union has said that there are technical considerations which are in favour of less legislation, not in favour of more legislation.

There is one thing in this "and/or" change which the unions are recommending. If they want to change the wording in their brief, this is going to include a tremendous number of fields. The reason for doing this is to bring a whole group of vessels under regulation which are not presently under regulations, and it will bring the fishing boat type of vessel into this as well, and I think this would create some repercussion in the fishing industry.

Now, I think maybe we have said enough, but I do feel that the proposed change in raising the limit from five nominal horsepower to 200 would provide a much better framework for the inquiry which is to be carried on in the next 10 months on the British Columbia coast.

The CHAIRMAN: It is now 10 minutes to 11 o'clock. I had proposed to call upon the Department of Transport to complete the picture before asking you to present your questions, but the minister has a suggestion he wishes to make.

Mr. PICKERSGILL: In view of the fact that all the witnesses before the committee come from British Columbia, I do not think any of us would want to keep them here until Monday if we could possibly complete the operation today. I wonder if we could not agree to resume our sitting at 2.30 in the railway committee room in the main building. We all know there is a very important bill on in the house and we have to be near enough to the chamber in case there are any votes called, and that applies to members from all parties. I can probably have a word with the whips to see that some reasonable amount of notice is given if some vote is coming up, and we could complete at any rate the hearing, and then let these gentlemen return home. I wonder if that would be agreeable? Possibly we might sit for another five minutes.

Mr. WINCH: No, let us adjourn.

Mr. PICKERSGILL: May I put one question to the witnesses not to be answered now, but so that they might think about it on both sides between now and 2.30. I have the impression that every member of the committee

would like to know from both witnesses whether they would rather have us make the changes which are now proposed which do not satisfy them completely in every case, or leave the law just as it is? I think we would like from each of them a reasoned answer to that question. I think it would help us to make up our own minds about it, if we could have from both of them an answer to this question: If you are faced with the choice between leaving the act alone, or putting in this clause, which would you choose?

Mr. Cook here, and the other two gentlemen might give us an answer to it some time during the afternoon, and I think it would help us all.

The CHAIRMAN: The committee now stands adjourned until 2.30 p.m. in the railway committee room.

AFTERNOON SITTING

The CHAIRMAN: We have a quorum. Would you please come to order.

Just before adjournment this morning we decided to proceed with the evidence of Mr. Cumyn with regard to clause 4. He is present now and I would ask him to make any comments he wishes to make at this time.

Mr. WINCH: Mr. Chairman, before we hear from Mr. Cumyn, in view of the very important question which was put by the minister, before the adjournment do you think we might have answers from the two parties concerned at this time. This may have an important bearing on the issue.

Mr. PICKERSGILL: Well, Mr. Chairman, if they are prepared to give their answers without hearing from the department, perhaps that would be a good idea. because then it might not be necessary to hear from the department. If they both give the same answer to my question it might end our deliberations here and now, for which I am sure we all would be grateful.

Mr. WINCH: Mr. Chairman, I suggest that we hear the two answers.

The CHAIRMAN: All right. I will ask Mr. Cook and Mr. Lindsay if they are ready to answer the questions put to them by the minister just before adjournment this morning.

Mr. COOK: Mr. Chairman, we would be prepared to hear from the department first.

Mr. LINDSAY: Mr. Chairman, we would be prepared to answer the questions now.

Mr. PICKERSGILL: Perhaps we should hear from the department officials.

Mr. ALAN CUMYN (*Director, Marine Regulations Branch, Department of Transport*): Mr. Chairman, I would like to make a few comments on the brief submitted by the guild. Many of the points already have been touched upon by the ship owners, and I will skip over them as lightly as I can.

First, I would like to stress that clause 4 (c), while proposing to dispense with the carriage of a watchkeeping engineer, does not mean that there will not be a chief engineer on the ship. It should be appreciated that, in fact, there will be an engineer on the ship charged with the over-all supervision of the machinery.

Then, turning to subclause (2)(a) of clause 4, the brief does not make it clear that this is actually an extension of the requirements; that these boats in the 8 to 10 nominal horsepower class presently are and have been operating without certificated engineers; and that, in fact, we are bringing them under regulations in this respect.

On page 2 of the brief there are listed a number of vessels which will be able to operate without a certificated engineer because they are below 8 nominal horsepower. Well, it is our experience, Mr. Chairman, and it is the general experience in shipping, that the moment you establish a criterion the

ship owner proceeds to equip his vessel or build it, or engine it, so it comes just under that criterion. I am sure if we brought the criterion down to 7.5 nominal, then the ship owner would proceed to install engines at 7.4 nominal, or something of that nature. Then the question is how far down are you going to chase him.

At this time I think it should be stressed that the United States tugs with which the west coast ship owners are competing do not require certificated engineers for tugs below 200 gross tons. These tugs are allowed to operate with or without engineers, as they please.

Mr. WINCH: Is that without regard to the brake or nominal horsepower?

Mr. CUMYN: Without any regard to the power of the machinery installed.

On page 3 of the brief, mention is made of a report by the Ontario Special Committee on Revisions of the Operating Engineers Act, which state that operating personnel should not be replaced entirely by automatic equipment and controls. Of course, we are not proposing to do this. We simply are proposing that although watchkeeping engineers will be dispensed with, there will still be a chief engineer on board.

At this point mention might be made of the fact that there are ships operating on the oceans today which are of a very modern type, in which conditions in the engineroom can be monitored to the bridge and to the chief engineer's cabin, and they do not have watchkeeping engineers at all. We know of a large trawler under the United Kingdom flag operating in the North sea under this condition.

Mention is also made at this point of the fact that human beings can maintain a better watch than can instrumentation, because they have five senses. This is open to doubt.

Mr. COWAN: Do you mean it is open to doubt that they have five senses, or that automation is providing better safeguards.

Mr. CUMYN: I mean it is open to doubt that human beings can keep a better watch than can the use of instruments. Many ships are being operated through instrumentation and quite a number of industrial installations on shore are already handled in the same way.

On page 4 of the brief it is claimed that modern engines require more expert supervision and care than did the old type of machinery. Now, that may be the case but it is a different kind of care. With the old type of machinery you had to have an engineer moving about the engine room, feeling the bearings, watching the bilges and looking at other pieces of machinery. But, of course, now this is all done in modern ships by the engineer sitting in a console in the engine room watching his instruments, or by someone on the bridge watching instruments. Mention is made of fractured oil lines and plugged bilges being unrealistic to the marine engineer. But oil lines are fitted with special fittings to take care of vibration, and plugged bilges are looked at by the marine engineers or steamship inspectors as an indication of poor housekeeping, such as someone leaving rags in the bilges, and that sort of thing.

We come now to the thorny question of nominal horsepower. The statement is made here that nominal horsepower is simply an arbitrary convention which is ambiguous and dangerous. So far as it being an arbitrary convention, so is brake horsepower in the manner in which the board of steamship inspection would have to use it if it was placed in section 115 of the Canada Shipping Act in place of nominal horsepower. The reason for this, as I pointed out the other day, is that the rate of revolutions and cylinder pressure are factors in the calculation for brake horsepower. Now, the board of steamship inspection will have to calculate the brake horsepower of any engine in question, and they will have to assume a rate of revolutions and a cylinder pressure because these are variables which can be varied by the operator

at will. So, if you use a formula and base the factors in that formula on an arbitrary assumption then, of course, the result you get will be an arbitrary figure; in other words, the brake horsepower that the board of steamship inspection will derive from any formula will not necessarily be the brake horsepower used by the operator in the operation of his ship. And it is quite possible that two ships fitted with the same model of engine will work on a different brake horsepower, depending on the speed at which the engine is operated and the operating pressure in the cylinder. Moreover, the relationship that exists in section 115 of the Canada Shipping Act between the horsepower criteria contained therein and the grade of engineer that is required for each criterion is not based on any arithmetical calculation. The criteria are simply designed in the first place by the board of steamship inspection in an arbitrary manner, and this is based on experience and judgment. The point I am trying to make, sir, is this. If you look at the brake horsepower limitations contained in the section and then the requirement that for a certain horsepower a certain grade of engineer will be required, and ask yourself how does the board of steamship inspection decide that so many brake horsepower requires a first, second or third class engineer, you must appreciate that this was done on an arbitrary basis and was not done by mathematical calculation. Therefore, the whole process is an arbitrary one. Whether we use brake horsepower or nominal horsepower is rather unimportant, except to the board of steamship inspection who are charged with the implementation of this legislation. We know that as long as we use nominal horsepower we will have no argument with a ship owner, the engine builder or the unions because the calculation for nominal horsepower is quite simple. It is based on non-variable factors, the cylinder diameter and the number of cylinders, and there can be no argument about it. If, however, we are forced to the use of brake horsepower we will have to assume the revolutions and the cylinder pressure, and we will find ourselves in constant hot water with the unions, with the ship owners and with the engine manufacturers who will be pressing us to assume revolutions and cylinder pressures that will serve their particular interests. Every interest will be different. So, wishing to lead a quiet life, we would much prefer to be allowed to continue to use nominal horsepower.

I was asked the other day what other countries use the nominal horsepower measurement. I have learned that it is used in the United Kingdom and Australia and, as I pointed out previously, it is used by automobile associations in the United States and many other countries of the world. They use it, of course, for precisely the same reasons as we use it. The United States coast guard do not bother with tugs under 200 tons, so it is immaterial to them.

On page 7 of the brief of the Canadian Brotherhood of Railway, Transport and General Workers, the National Association of Marine Engineers of Canada Inc. and the Canadian Merchant Service Guild, you will see a reference to instances of a self-propelled dredge being classified as a ship where the main propulsion engines may be 1,000 brake horsepower, with pumps requiring an additional engine output of 4,000 brake horsepower.

The thought is expressed that instead of using the criterion of 1,000 brake horsepower for propelling machinery, we should use 4,000 brake horsepower plus 1,000 and make it 5,000 brake horsepower. But it should be pointed out here that the 4,000 additional horsepower is used to drive the dredging pumps which are not used to propel the vessel and which are not concerned with the safety of the vessel; they are merely additional equipment.

On page 8, the claim is made that the proposed changes in clause 4 will result in the loss of many jobs for certificated engineers. Our inquiries indicate that the first part of clause 4 will result in the loss or might result in the loss of some 24 jobs, whereas the imposition of the second part of clause 4 would result in the creation of some 12 jobs, resulting in a net loss of 12 jobs for certificated engineers.

The claim is made on page 9 of the brief that the effect of this legislation might be to downgrade the standards of marine engineers. I can assure you, sir, that the board of steamship inspection, as well as the guild, have always been very active in upgrading the standards of the marine engineers. We have always worked very closely with the schools, and we have always maintained the examination standards at the highest levels consistent with an ability to obtain a reasonable supply of marine engineers.

There are listed on page 10 of the brief some 10 vessels which were recently taken out of operation by Straits Towing Ltd. My understanding of the reason for these vessels being taken out of operation is that they have become very old and uneconomic for that reason.

A recommendation is made on page 12 that section 115 subsection 2(*a*) should have the word "and" in the third line replaced by the word "or". This, of course, would mean that many tugs in the 700 or 800 brake horsepower class, but which are below the 8 nominal horsepower, would now require to have a certificated marine engineer aboard. I do not think we should be too much impressed by the fact that these engines have a brake horsepower of 600 or 700 because actually these engines are of very modern type and operate at a high rate of revolutions. They are designed to operate without adjustment for thousands of hours in some cases, and then to be taken down for a complete overhaul and rebuilding. The whole concept is that they will operate without adjustment during those times. In fact, they are so doing.

A question was raised here yesterday about the efficiency of the steamship inspection service on the west coast. I find that over five years between 1958 and 1963 we had some 1,220 vessels under inspection. During this time there were 21 vessels lost, four of which were tugs and the remainder were fishing vessels. There were 25 lives lost during this period, all of which were lost from fishing vessels, there being no loss of life from tugs. I am talking, of course, of inspected tugs of over 15 gross tons.

We do appreciate that probably the time has come to extend the steamship inspection in some measure to tugs below 15 tons. We have discussed this matter with the guild and we have informed them that legislation to bring this about is presently under consideration in the department.

May I say one last word, sir? On looking over the requirements in the United Kingdom I found that certificated engineers are required only on foreign-going ships and on home-trade passenger ships. They do not require the carriage of certificated engineers on coastal tugs in the United Kingdom.

The CHAIRMAN: There will be a short recess while the members go to the house for a vote.

Recess.

On resuming.

The CHAIRMAN: May I suggest, Mrs. Rideout and gentlemen, that the brief of Upper Lakes Shipping be appended to the minutes of the proceedings. No representative of the company will be coming to present the brief to us.

Mr. WINCH: It should be noted that the brief will be tabled after the section concerned is passed.

The CHAIRMAN: Yes.

Is that agreed?

Agreed.

Mr. PICKERSGILL: Mr. Chairman, while we are waiting for the witnesses may I say a word about the railway bill?

I understand from the house leader that there are certain private bills to be sent to this committee, and it is hoped they might be dealt with during

the present session. Perhaps the committee would like to deal with those before we start on the subject matter of the railway bill. I suggest that the first session of the committee on the railway bill might be held next Thursday morning when departmental officials could give an exposition of the bill which would be printed and on the record over the week end. A week from Tuesday the committee might start hearing other interested parties. I think that would provide ample notice for those who want to appear. I hope no pressure will be put on reluctant witnesses. I think there is no doubt that there will be plenty of people who are only too ready to come at this stage to have their briefs heard, and any others can be heard when the bill comes back again in the new session.

I put forward those suggestions, Mr. Chairman, and leave them with the committee.

The CHAIRMAN: Gentlemen, if this bill passes through committee today we should be taking up three private bills on Tuesday next, and that I think would be a short session.

Mr. BARNETT: Can you tell me what those bills are, Mr. Chairman?

The CHAIRMAN: Those are the two pipeline bills and another bill which were referred yesterday afternoon.

On Thursday next, as suggested by the Minister, we could have a meeting at which the officials of the Department of Transport would explain Bill No. C-120. That was done last fall. I had three meetings but they were rather private meetings of the committee. This would be a regular meeting of the committee and the evidence would be recorded, but limited to the officials of the Department of Transport.

If possible, in the following week we would begin the regular meetings with witnesses from different parts of Canada and representing different interests.

I will now ask Mr. Cook, Mr. Lindsay and Mr. Cumyn to sit here, and members may question any one of these witnesses.

Mr. MACALUSO: Had Mr. Cumyn finished his remarks before we left, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. CUMYN: Yes.

Mr. WINCH: Mr. Chairman, I appreciate the arrangement you have made to have these witnesses questioned at the same time. I think it is excellent.

There are a number of questions I would like to ask, but in view of the fact that I have either honourable or dishonourable mention twice in the brief submitted by the tugboat owners I would like to direct my first question to Mr. Lindsay.

There is one phase on which I think all committee members would like to have some clarification. I understand, Mr. Lindsay, that you are representing strictly the tugboat owners of British Columbia.

Mr. LINDSAY: I am representing the British Columbia tugboat owners.

Mr. WINCH: Strictly tugboats?

Mr. LINDSAY: Yes.

Mr. WINCH: Can you clarify just what you have in mind on page 3 where you say that in British Columbia you must compete with foreign freighters that have taken full advantage of electronics and modern machinery to reduce crews.

Just what is the relationship between foreign freighters and the tugboat industry; we would like to have that information for clarification.

Mr. LINDSAY: There are some examples; two come to my mind. There is the movement of newsprint from Ocean Falls and Duncan Bay by the Crown

Zellerbach Company to Los Angeles. This is moved between Canadian and United States ports. We were beaten out in this trade by a foreign trader. MacMillan Bloedel & Powell River Limited have shipments in the same trade. There are two foreign vessels operating from Port Alberni and Powell River to the Los Angeles area. MacMillan and Bloedel are terminating this charter and building a new deep sea barge to take over this business. They have to compete and they feel that with their new tug and barge unit they can do it cheaper than it is being done by the foreign freighter at the present time. I think they will question this later, but this is the situation right now.

Mr. WINCH: The point is that you want a situation in respect of the tugboats where you are operating internationally from British Columbia to Seattle, Portland and San Francisco.

Mr. LINDSAY: Our company is so doing. We do ship salt, although normally this is done by a foreign ship. There is lumber shipped from British Columbia to Hawaii and Japan, and this type of business is open to the towboat industry in British Columbia.

Mr. WINCH: Are you saying the tug operations in British Columbia cannot compete with a foreign trader in picking up in British Columbia and delivering in San Francisco or Seattle?

Mr. LINDSAY: We cannot compete in the last two instances I have mentioned. We have not been able to compete. This particular bill does not cover that size of vessel, but what I am endeavouring to say is we have to remain competitive in the towing industry and if they keep putting in legislation and legislation, we are going to be in a position where we cannot be competitive in international trade.

Mr. WINCH: Will a change of one engineer on the tugboat place you in a competitive position with a foreign cargo ship?

Mr. LINDSAY: A change of one engineer on a tugboat will cost a company approximately $12,000 a year.

Mr. PICKERSGILL: A saving?

Mr. LINDSAY: It will save or cost.

Mr. WINCH: Are you telling the committee that this will make the difference in your being able to compete in international trade?

Mr. LINDSAY: I am saying it is a large amount of money when it is on the net profit or gross profit side; it is a tremendous amount of money.

Mr. BASFORD: While the minister is here, may I ask whether it would help you to remain competitive and get into this foreign business if the shipbuilding subsidy continued?

Mr. PICKERSGILL: I think this is out of order.

The CHAIRMAN: May we please return to Mr. Winch.

Mr. BARNETT: I wonder whether I might ask a supplementary question in the field Mr. Winch opened up. As I understand it you mentioned competition from the Puget Sound area. I take it that this must be the international trade you are talking about; am I correct in that? My understanding is that only ships of British registry can operate within Canadian waters. I wonder whether you could clarify for us just where this Puget Sound towboat competition enters into the picture.

Mr. LINDSAY: I think really there is a great deal of business from British Columbia down to Puget Sound which is in inside waters and where you can use much smaller vessels. There is a great deal of movement of limerock from Texada Island. There is pulpwood shipped from the sawmills to the pulpmills in the Puget Sound area. This is an area where a lot of our boats can operate. The Americans cannot come up and run from Vancouver to Prince Rupert

and we cannot run from Seattle to Bellingham. There is a large trade back and forth. There is no regulation of the United States vessels in this trade such as the regulations which we have in effect right now.

Mr. WINCH: Mr. Chairman, this is our fourth meeting on the Canada Shipping Act amendments. I still think clause 4, to a great extent, basically hinges on the interpretation and meaning of brake horsepower and nominal horsepower. I understand, Mr. Lindsay, you are an engineer.

Mr. LINDSAY: I am not a certified engineer. I worked in the engineroom. I am a mechanical engineer.

Mr. WINCH: You are here representing the British Columbia Towboat Owners' Association.

Mr. LINDSAY: Yes.

Mr. WINCH: I am not worrying about your challenging me in respect of something I said three or four years ago. However, your testimony has to do, to a great extent, with nominal horsepower. May I ask you what is your understanding and interpretation of nominal horsepower? What is nominal horsepower so far the British Columbia Towboat Owners' Association is concerned?

Mr. LINDSAY: It is the diameter of the cylinder squared, in inches, times the number of cylinders, divided by 60. Mr. Cumyn could tell you better than I.

Mr. WINCH: Do you accept Mr. Cumyn's authority for a definition of nominal horsepower?

Mr. LINDSAY: Yes.

Mr. WINCH: Mr. Cumyn, do you have the authority you quoted here with you? You quoted from Dyke yesterday. Do you have it with you?

Mr. CUMYN: Yes.

Mr. WINCH: Would you mind rereading the definition which you used yesterday as the authority? Would you read it for the information of Mr. Lindsay?

Mr. CUMYN: I did not mean this to be taken as my authority.

Mr. WINCH: Then why did you read it to the committee?

Mr. CUMYN: I do not like to be told that I am using something as an authority which I am not using as an authority.

Mr. WINCH: When I questioned you yesterday you said you would like to make reference to this.

Mr. CUMYN: I said that because I wanted to show that the steamship inspection branch is not alone in using nominal horsepower and that it is in fact quite a widely used criterion for purposes of this kind.

Mr. WINCH: Then you quoted Dyke. Would you mind reading what you read to us yesterday?

Mr. CUMYN: It reads:

How to Figure the N.A.C.C. Formula

This formula is used by all leading manufacturers and by the license offices in different cities. It represents a comparative horsepower rating for automobiles that is used for taxation and similar purposes. It is not an engineering formula, and does not accurately represent the power actually developed by the engine. The formula is expressed as follows:

$$\text{Horsepower} = \frac{(\text{Diam. in inches})^2 \times \text{number of cylinders}}{2.5}$$

Question: What is the N.A.C.C. horsepower of a four-cylinder engine which has a 4-inch bore?

By referring to the table below, one 4-inch bore cylinder is 6.4 and 4 cylinders of 4-in. bore is 25.6 h.p.

This is arrived at as follows: $\text{h.p.} = \frac{D^2 N}{2.5}$.

D^2 (diameter squared) $4 \times 4 = 16$.

N (number of cylinders) $= 4$.

2.5 (constant).

Therefore the horsepower is $\frac{16 \times 4}{2.5} = 64 \div 2.5 = 25.6$ h.p.

It will be noted that the stroke of the cylinder was not taken into consideration at all.

Mr. WINCH: Thank you. Do you agree that nominal horsepower is not a scientific method and that it is not anything that will give you the actual power of an engine; do you agree with the definition which has been read?

Mr. LINDSAY: I do not necessarily. I think it is the most nearly perfect thing we have for comparative purposes at the present time. I do not think it is perfect, but I think it is as perfect as anything we have at the present time, and more perfect than brake horsepower.

Mr. WINCH: But you would agree it is not scientific?

Mr. LINDSAY: I would not necessarily agree it is not scientific.

Mr. WINCH: Would you agree that it does not give you the actual power of the engine?

Mr. LINDSAY: I agree that it does not give you the actual power of the engine.

Mr. WINCH: How do you differentiate between your statement that the brake horsepower does not give, and your admission now that nominal horsepower does not give, the actual power of the engine.

Mr. LINDSAY: Did I say that about brake horsepower?

Mr. WINCH: You made that very clear in your statement.

Mr. LINDSAY: Where?

Mr. WINCH: Perhaps it was Mr. Cumyn.

Mr. PICKERSGILL: May I ask a question, Mr. Winch? May I ask if you have read the definition of nominal horsepower in the Canada Shipping Act?

Mr. WINCH: Yes.

Mr. PICKERSGILL: Nominal horsepower is defined in the act itself. I just looked it up while you were speaking. It says:

> "nominal horse-power" means the measure of the size of marine engines, ascertained in accordance with regulations made from time to time by the governor in council;

The department, until parliament puts in a new criterion, is bound to use nominal horsepower, and this defines it. We would have to alter the whole scheme of the act, it seems to me, in order to put something else in its place.

Mr. WINCH: Is there also a definition of brake horsepower?

Mr. PICKERSGILL: It is contained in the regulations:

> The nominal horsepower of an internal combustion engine shall be computed by adding together the squares of the diameters of the cylinders measured in inches and dividing the result by sixty, except that in

the case of engines where the power is applied to both sides of the piston or where the power is applied to one side of each of two pistons in each cylinder, the divisor of sixty shall be replaced by the divisor of thirty.

Mr. BARNETT: Is that the regulation made by the governor in council?

Mr. PICKERSGILL: This was made in 1958. It is P.C. 1958-1221 of August 28. I understand that brake horsepower is not used in the original act. It seems to me that if we were to introduce a new criterion we could not just introduce it in one section, but would have to introduce it throughout the act.

Mr. WINCH: I am interested in brake horsepower and nominal horsepower. However, going to nominal horsepower, may I ask Mr. Lindsay, if clause 4 as it is now were to be enacted, whether in the tug boat industry you would not require the engineers that are required under the existing act?

Mr. LINDSAY: I say you would require more engineers under the new legislation as its stands than under the old legislation. I might explain this by stating that we are dropping from 10 down to eight nominal horsepower. There are about 80 engineers employed on those boats. We are not required to have them by law. We have them now, but if this legislation passed in this form these men would be guaranteed jobs. There is a possibility of some reduction between 10 and 15 nominal horsepower. I would say there would be a loss of some 12 jobs. Actually, between 8 and 10 we now have engineers on the vessels, but we do not have to carry them by law. We would be forced to do so under the new law.

Mr. PICKERSGILL: What would be the net effect of this? It seems to me that paragraph (c) relieves you of the necessity of having a certified engineer and 2 (*a*) puts engineers on vessels on which they are not now required.

It is a simple problem of addition and subtraction to find out what the net effect on employment would be as things now stand.

Mr. LINDSAY: I think the net effect would be this. There are 60 engineers working in the industry now, and they have no guarantee of staying there. However, they would then be guaranteed their jobs. But it affects very, very few vessels. I heard a figure mentioned of 12 or 24 men, but I think this is an overrating. I think it is less than that, because many of those engineers could fit into other boats with higher certificates.

Mr. WINCH: I would like now to ask Mr. Cook, arising out of his presentation and position as the representative of the marine engineers of British Columbia, in what way he disagrees with Mr. Lindsay's statement on the effect of unemployment, on the existing situation, and on the change which could be made by this amendment.

Mr. COOK: The figure he uses, naturally, is rather approximate. I do not think at this immediate time it would be too far out of line, but it may have a variance of five or ten. The danger is not to the position now. However, it now seems to be the time to change this for vessels between 8 and 10, or between 10 and 15. They might change engines in the vessels, to engines which now fit into the new aspects of the new legislation, whereupon there would be many jobs lost. You see, all they have to do is to put a high speed engine into it with the same type of horsepower, or probably more if they wanted to do it, and thereby do away with one engineer completely. Many of the vessels with up to and around 15 horsepower, will also be put in the same position.

Mr. PICKERSGILL: Are you talking there about 2 (*a*) or about (c)?

Mr. COOK: Both, in both instances.

Mr. PICKERSGILL: It could not be done under 2 (*a*) because 2 (*a*) extends the requirement to vessels which are not now required to have such an engineer

at all. So it could not possibly reduce any compulsory jobs, because there are no compulsory jobs now.

Mr. COOK: That is very true, but my concern is this: The point you have made is that if it were moved down to this position and you used brake horsepower, which we said should have been used, then it would protect a certain number of jobs which will not be protected under the present bill.

Mr. PICKERSGILL: But a certain number of jobs now are protected.

Mr. COOK: I think those jobs could be removed within a month.

Mr. PICKERSGILL: Under the law there is no requirement for vessels in that category to have an engineer, and if they do have one, it is because they want to have him. We are putting in a requirement that they must have an engineer, when they would not require him under the law as it presently stands. Clause 2 (*a*) requires classes of vessels to have an engineer which do not presently require one. In other words, we are guaranteeing jobs for a number of certificated engineers which are not now guaranteed by law.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is this 2 (*a*) as it appears in the 1956 amendment to the act?

Mr. COOK: No, in the proposed legislation.

Mr. PICKERSGILL: Clause 4 of the bill brings a class of vessels under the law requiring a certificated engineer, when previously under the law they did not require one. It may not produce any new jobs, but it will at least guarantee the permanency of those jobs which are not guaranteed now.

Mr. LINDSAY: I can read you 30 names whose jobs would be affected.

Mr. PICKERSGILL: It does not matter how many or how few there are. It is a fact that up to now, if they do have an engineer it is because the union insisted on it, or because the owner thought it was wise, or both.

Mr. LINDSAY: May I make one more comment: we seem to be dwelling on the 765 horsepower class, and the same engineers referred to under the 90 horsepower class which I think we are dealing with, because it happens to be a class used in local waters around Vancouver. A lot of boats of that class would be obsolete and would have to be replaced. I can name $5 million worth of new construction going on on the coast now for vessels of over 130 feet in length. We are now building $121 million worth, with 3,500 horsepower, and so are MacMillan and Bloedel, and there is another vessel which has just over 1,300 horsepower.

With all these boats, they are talking about 25 nominal horsepower. I must say that they all require two engineers and a steady watchkeeping. I think we are dealing with something which is a fairly small matter, but it happens to be something very close to the heart of the union under the present situation. But I think that a year from now they will be wondering what we were talking about.

Mr. GRANGER: If I interpret what Mr. Lindsay has said correctly, I assume that the tendency is towards larger boats. Perhaps a lot of fears which have been assumed over the smaller type will have no basis in the future.

Mr. LINDSAY: I think there is a tremendous expansion taking place in the tugboat industry, and a great deal of it will be going into west coast towing, where they are just getting into this area now. These are small boats, and there will be more of them. I think there will be a tremendous increase in the number of tugboats on the coast, and that it will stir up interest in the country about the lack of jobs more than anything else.

Mr. WINCH: If that is the position Mr. Lindsay takes, why does he insist on clause 4 going through as it stands?

Mr. PICKERSGILL: I think to be fair to Mr. Lindsay, it is the government which is suggesting it.

Mr. WINCH: No. I am following Mr. Lindsay's presentation which is right in front of us here and now.

Mr. PICKERSGILL: Mr. Lindsay did not ask us to put in 2(*a*). He asked us to leave it out.

Mr. WINCH: He endorses it, and says it would be difficult for them if it were not passed. I think I asked him.

Mr. LINDSAY: Our position is this: We support the 10 to 15 nominal horsepower portion which is 2(c). I was not happy with the continued limitation, and I would ask to see it placed at 200 gross tons and not 150. I am against 2(*a*). With the modern type of new engines, I think it would be a step backward if we tried to put in legislation covering it. That is my feeling. I am not supporting this bill as put forth.

I was asked another question this morning which I would now be pleased to answer.

Mr. PICKERSGILL: I take it that you are very happy about 2(c), but you were not happy about 2(*a*), this morning.

Mr. LINDSAY: I was not altogether happy.

Mr. HAHN: I shall pass.

Mr. MACALUSO: I think this might be a good time to get an answer to the question which the minister asked this morning. What has Mr. Lindsay to say about it? Would he be prepared to go along with this bill, or would he be prepared to maintain the status quo?

Mr. COOK: We would like to see the status quo held as it is until proper research has been made into the whole area we are talking about, and then to bring in legislation. We would welcome it regardless of whether it hurt us or helped us.

Mr. LINDSAY: I would like to rephrase the question before I address myself to it. I gathered that the minister put to us this morning this question: Do we want section 4 included or withdrawn from the bill?

Mr. PICKERSGILL: Yes, and assuming that is the way it was put in my question, and assuming that you only have two choices, either to leave it in as it stands now, or accept clause 4 as it now is in the bill, which do you prefer? That was my question.

Mr. LINDSAY: Our answer would be that we would like to include clause 4 even as it is stated in the new legislation. I would like to say that we are pleased with your explanation, and that we are greatly interested in the change from 10 to 15 nominal horsepower. My friends of the C.B.R.T. have not opposed this move, or there is no conflict in their brief regarding it. We both are in agreement, and I might say that they are not opposed to our going from 10 to 15 nominal horsepower. We do not want a reduction from 10 to eight. The C.B.R.T. brief wanted it reduced lower than that, but we would rather have that than no legislation.

Mr. MACALUSO: You are referring to research now going on within the Department of Labour. Is that right? You mentioned it this morning?

Mr. COOK: That is a private research program put forth by the Department of Labour.

Mr. MACALUSO: As I understand it, the board of steamship inspectors and this committee dealing with the bill are completely concerned with the safety of life on water, and the labour side of it, as you have stated, is the concern of the Department of Labour. It is my feeling that there should be some liaison between the Department of Transport and the board of steamship

inspectors. If there is no such liaison, I would recommend that there be such liaison set up between the two. Please correct me if I am wrong, but we are solely concerned in this bill with the element of safety. Am I correct that that is still the responsibility of the Department of Transport?

Mr. PICKERSGILL: So far as the Department of Transport is concerned I think we have no proper right to be concerning ourselves with factors other than safety. I think you are quite right. It is the Department of Labour which should consider these questions of employment. The only reason we would suggest any change in the criterion which now prevails is that we think in certain cases the engines will become much more efficient, otherwise we would not have suggested paragraph (c). On the other hand we feel there are certain smaller vessels which did not previously require an engineer which should in a certain situation have an engineer. We say that in certain types of vessels engineers are needed, but they do not need a continuous watch.

In the other case we say there are some ships which Mr. Lindsay would not like to have brought under the act which should be brought under the act. These are matters of concern from the point of view of safety.

Mr. MACALUSO: Let me ask you this: in so far as 4(3) is concerned the department here recognizes the technological elements, and you say you are going to have only one engineer.

Mr. PICKERSGILL: The shipping companies can keep him on if they want to, but he is not compelled to be kept on for safety reasons.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask Mr. Cumyn two questions. I notice that in the provision in the new 2(a) under the act which appears in the bill, you have a reference to (b). I was wondering why you used that term in the light of what you told us just now. Is it for the purpose of greater precision of definition?

Mr. CUMYN: No sir. We explain in this marine legislation what we are doing when you bring in a new standard. You might say we are lowering the range to impose regulations on this new category of vessel. You do your best not to hurt existing vessels which have been operating safely for many years. In this case we knew that there are on the west coast a few old tugs that have been operating for a long time with very heavy old fashioned engines that have a comparatively high nominal horsepower, between 8 and 10, and a very low brake horsepower because the rate of revolutions is very low. If we had not put in this 600 brake cut-off we, in effect, would have been telling the owners of these old vessels that have been operating safely for many years without certificated engineers that they would from now on have to carry certificated engineers. So, we had to impose the 600 brake horsepower limit, and this would more or less exempt them from this new requirement because their brake horsepower is in the nature of 300 or 400.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, it was for the purpose of more precision?

Mr. CUMYN: It was for the purpose of exempting these few old tugs.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It was not possible to define their horsepower sufficiently precisely without using the formula of brake horsepower?

Mr. CUMYN: No.

Mr. PICKERSGILL: They have to use both.

Mr. CUMYN: You have to use both because there is a tremendous variation in this area of engines. There are the old fashioned types that have a very high nominal horsepower and a low brake horsepower, and then there are the brand new modern types which have a very low nominal horsepower and a high brake horsepower. The new types will have a nominal of 8 to 10 and a

brake horsepower of possibly 700. The old types have a nominal of between 8 and 10 and have a brake horsepower of 200. So, we were on the horns of a dilemma in this case and, as a result, we were forced to use brake horsepower to cut these particular tugs off and exempt them. We do appreciate we are going to have trouble with this 600 brake power limitation, and we already have. Certain manufacturers have come to us and wanted to know how we were going to rate their engines in terms of brake horsepower, what revolutions were we going to use and so on, hoping we would suggest a low revolution. This is precisely the kind of trouble we are trying to avoid.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I may have misunderstood you in the first place. It says in clause 4 (*c*):

> if the steamship is a tug of not more than one hundred and fifty tons gross tonnage . . .

I gathered from that that this would not eliminate any engineers.

Mr. CUMYN: I did not mean to say that. What I meant was that these tugs are presently required to have a third class engineer on board and, in addition, to carry a fourth class engineer on watch. The third class engineer can take a watch too but, in the case of a two-watch ship you could have the third class engineer on one watch and the fourth class engineer on the other, six hours on and six hours off. What we are proposing to do is to remove the necessity of carrying an engineer on watch. But, this would not remove the necessity for the ship to carry a third class engineer, who would not necessarily remain on watch or stand watch but who would be on board the ship at all times to supervise the general operation and maintenance of the machinery. In other words, we are not going to let the tug operate without an engineer.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, may I direct your attention to the provision that was inserted in the act in 1956; subsection (2) of section 115 was repealed and the following substituted:

> Notwithstanding subsection (1), every steamship to which this section applies shall be provided with such number of engineers, duly certificated, as will ensure reasonable periods of watch, having due regard to the length of any voyage, and other related circumstances, and any such additional engineer may be a fourth class enginer, duly certificated, except that . . .

Now, I will read the new paragraph:

> if the steamship is a tug of not more than one hundred and fifty tons gross tonnage and powered by internal combustion engines or not more than fifteen nominal horsepower that are fully controlled from the bridge, the minister may, subject to such conditions as he may prescribe, exempt it from the requirements of this subsection when making voyages in waters not more open than would be encountered in a home-trade voyage Class III or an inland voyage Class II.

It would appear to me that this gives discretionary power to the minister to exempt an operator from the provision of subsection (2) which I read out.

Mr. CUMYN: It does, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): So, it is entirely within the discretion of the minister whether or not the steamship shall be provided with such number of engineers, duly certificated, as are necessary.

Mr. CUMYN: To stand watches.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To stand watches?

Mr. CUMYN: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then, in that case it would be possible for this new section to provide the minister with the opportunity of eliminating certificated engineers altogether?

Mr. CUMYN: No.

Mr. PICKERSGILL: Only for standing watches. Perhaps we should have Mr. MacGillivray, who is a lawyer, comment upon this.

Mr. R. R. MACGILLIVRAY, (*Assistant Counsel, Law Branch, Department of Transport*): The requirement to have a third class engineer is contained in subsection (1) of that section, and subsection (2) does not allow the minister to dispense with the requirements laid down in subsection (1).

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I see.

Mr. PICKERSGILL: All the minister can do is eliminate the fourth class engineer or permit them to eliminate him—that is the one who stands watch—if they want to, but we cannot allow them to go without an engineer.

Mr. WINCH: Mr. Chairman, I believe Mr. Cook would like make a comment.

Mr. COOK: Mr. Chairman, I would like to revert to the matter of safety and point out, again, that when the ship building subsidy came in, a large number of towboats were built on the west coast. I would say there were around 60. Of the 60 between 40 and 50 were built within a certain class, which were not covered by the proposed change.

Mr. PICKERSGILL: Which proposed change?

Mr. COOK: It is 4 (c).

Mr. PICKERSGILL: That is, if they are less than 150 tons.

Mr. COOK: They are over 600 brake horsepower but less than 8 nominal.

Mr. PICKERSGILL: But 600 brake horsepower is referred to in 2 (*a*).

Mr. COOK: Pardon me. At any rate, to allow these vessels to sail—and they have unlimited territory in which to sail—without a man aboard who is capable of handling the mechanical equipment in cose of breakdown is putting the lives of the crew members in jeopardy.

Mr. PICKERSGILL: I think you misunderstand. Section 2 (*a*) is bringing new ships under the act. When I listened to you this morning—and I would like to get this clear because I am sure you and I are talking about the same thing—I thought you spoke differently. Section 2 (*a*) brings new ships under the act that were not under the act before. I understood you to say at that time it did not go far enough.

Mr. COOK: That is true.

Mr. PICKERSGILL: But, if we drop this section out you would not even have the ones we are bringing in under the act.

Mr. COOK: This is right.

Mr. PICKERSGILL: In other words, we are going at least part of the way you want to go in 2 (*a*).

Mr. COOK: Yes, but you are not going far enough.

Mr. PICKERSGILL: That is the whole point. If you objected to (c) I would understand because (c) permits these fourth class engineers to be removed. But, I understood you did not object to that.

Mr. COOK: I say, sir, that legislation that does half a job should not be brought in. We are talking about the matter of safety, and I would like to point out there are a large number of vessels that will, in our estimation, be in an unsafe condition on the west coast.

I think the proposed legislation is leaving the door wide open for abuse. Most of the vessels that have been built are in this particular class, and most

of the ones being planned are also in this particular class. They are being built in this way for a particular reason, that is to do away with the necessity of carrying an engineer.

Mr. PICKERSGILL: But, there is no such necessity now. How can you do away with something that does not exist. In this legislation we are not going as far as you want us to go; we are not going the whole distance, and Mr. Lindsay does not like it because we are going as far as we are. But, you say we are leaving a door open. That may be, but what you are asking us to do is to drop it and leave the door open still wider. Or, am I wrong in that assumption?

Mr. COOK: No sir. I am not trying to drop it at all; I am asking you to carry it further and to introduce the matter of the brake horsepower which, incidentally, is introduced in the proposed legislation now.

Mr. PICKERSGILL: You are referring to what Mr. Cumyn said a few moments ago in respect of these old tugs. Do you want that included?

Mr. COOK: I think there are very very few of them in existence at this time and in a matter of a year, in my opinion, they will not even be in existence because they are economically unfeasible to operate. Mr. Cumyn made a statement I was very interested in, when he said that these vessels which did not call for an engineer under this legislation will carry an engineer, though he need not be certificated. The question I would like to ask him is how does the steamship inspection department intend to police such a situation. The steamship inspection department goes on board a vessel once a year and, such being the case, how do they intend to police such a situation in respect of carrying an engineer either by regulation or confidential instruction?

Mr. PICKERSGILL: If the law says you must do it and they break the law it is open to any person to lay a charge.

Mr. WINCH: But you do not capture him.

Mr. COOK: It is a confidential instruction law.

Mr. CUMYN: I do not remember making any such statement to this committee. I presume Mr. Cook is dealing with ships below the 10 nominal horsepower which presently are not required by law to carry a certificated engineer. I do believe that some time ago when we considered these ships and their operation we did instruct our divisional supervisor to see to it when certificating the ships that, in the absence of any legal requirement, there is on board some person who would be competent to maintain the machinery in place of minor adjustments, though not necessarily a certificated engineer. This, of course, is not a legal requirement under section 115, but it was our feeling that as we were certificating the vessel and are required to see to it that the crew is sufficient and efficient, we should take some interest in having someone on board who is competent to maintain machinery.

Mr. MACALUSO: I have a supplementary question to ask along the line of the remarks by Mr. Cook about the companies going down to 7.8 nominal horsepower.

Mr. Lindsay, what do you say about the suggestion made by Mr. Cook that the owners, when constructing new vessels or putting new engines into old vessels, would go down to 7.8, to use the words in the brief, "to circumvent the legislation that is proposed"?

Mr. LINDSAY: Certainly some operators are going to watch this very closely. There is a pretty thin line between 7.9 and 8.1 nominal horsepower. If one can get the right engine at 7.9, one would be foolish not to do so. We have just finished two 7.8 nominal horsepower vessels. We built 7.8 nominal horsepower vessels because it happened to be a type of engine that we liked, and one tries to standardize for operating efficiency.

Mr. WINCH: You will need one less engineer with the 7.8 engines.

Mr. LINDSAY: No, these boats have certified engineers.

Mr. WINCH: By law you will not have to carry certified engineers.

Mr. LINDSAY: We do not have to do so by law now.

Mr. PICKERSGILL: It seems to me there is a misunderstanding. I find it very easy to understand the objection by Mr. Cook on paragraph (c) because it does commit a ship owner to dispense with an engineer that the law now requires him to carry. But clause 2(*a*) reduces the horsepower for which an engineer is required from 10 to 8 horsepower. I can understand Mr. Cook wishing to bring it down to 7.5 or 7.6, but I find it hard to understand his objection to it being taken down from 10 to 8, which is travelling in the direction he wishes and in a direction that is opposed by Mr. Lindsay. This is the difficulty I find myself in. We are quite prepared to argue very strongly in parliament to bring it down to 8 nominal horsepower.

Mr. Cumyn has explained why we put the 600 brake horsepower in the legislation. It is in order that the few old vessels with old fashioned engines will not be brought into the net, vessels that have never been required to carry a certified engineer. If they were required to do so now it would perhaps retire them out of business right away. Apart from that, it seems to me that this is a progressive step in the direction in which Mr. Cook is asking us to proceed. If you and the owners and the Department of Labour come along a year from now after your study and recommend a further increase in the downward direction, if both sides are in agreement I think parliament would be very happy indeed to go even further in the direction of safety measures. I hope it will not be suggested that we should not go as far as we are now convinced we ought to go.

Mr. BASFORD: Mr. Lindsay, you say that these 7.8 horsepower towboats that you now have are carrying engineers. You must therefore feel it is necessary to carry engineers for one reason or another. What is wrong, therefore, with making it a legal requirement? Such legislation will not cost you any more money.

Mr. LINDSAY: The situation is that we have to pay a man the same wages whether he is a certified engineer or another body, so you might as well hire the certified engineer. The wage costs will be the same whether we are to have a certified engineer or someone who is not certified. In the hope that we will employ someone who is better trained than the person not certified, we hire certified engineers.

Mr. BASFORD: If you hire them already what is wrong with making it a legal requirement?

Mr. LINDSAY: I do not think it is necessary. I do not think a vessel with that size of engine needs a certified engineer. We could operate these vessels —and other people are operating them—without certified engineers at all.

Our main object is to have the increase from 10 to 15 nominal horsepower. I do not see any reason whatever to go from 10 down to 8, other than to placate a certain group of people.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Did I understand you to say that you would not pay a certified engineer any more than you would pay an uncertified man?

Mr. LINDSAY: No, we would not. This is owing to the union regulations. We have to pay them the same rate. We try to hire certified engineers and the union tries to supply us with certified engineers, but we have some who are not certified.

Mr. MACALUSO: Is that because you cannot get them?

Mr. LINDSAY: It is because we cannot get them or because we have long term employees who have not sufficient education to become certified.

Mr. WINCH: Do you say that you cannot get certified engineers?

Mr. LINDSAY: We have had great trouble.

Mr. WINCH: Mr. Cook, did you say that you have certified engineers available?

Mr. COOK: Right at the moment we have 50 or 60; and Mr. Lindsay knows this very well, I am sure, because less than a month ago we had the same argument before a conciliation board. We gave the chairman of the board a list of the names of the men we had available for employment and their certificate numbers. There were over 50 of them, and there still are over 50 certified engineers available.

Mr. LINDSAY: I do not like to labour the argument, but you will have to realize that the fishing fleet is pretty tied up in British Columbia. Northern transportation and the Mackenzie river will be opening in April, and although there may be men available now who will come and work for a few months, they would then want to go back and work for five months in the Arctic.

When I was talking about this subject I was talking about full time employees. We have 44 jobs in our company for engineers. I checked these figures yesterday. We had 16 new men last year in our company, and 10 left our company last year. This is the rate of changeover. We try to get steady people.

Mr. COWAN: My prime interest in this whole business is safety. Yesterday a witness gave us figures of the number of accidents that have occurred over a certain period of time. I remember asking him if he was splitting this between fresh and salt water voyages. This was when we were discussing lowering the breaking point from 150 tons to 100 tons. One of the witnesses said today that in Puget Sound there is no control of boats below 200 tons. I was sorry to hear that. Are there any comparative accident figures for Puget Sound, where 200 tons is the breaking point, and the Canadian vessels for which the breaking point has been 150 tons and is now going to 100 tons?

Mr. COOK: The United States have just enacted legislation to cover small boats because there were so many accidents in the marine industry. This legislation has just gone through in the past year.

Mr. COWAN: Federal legislation?

Mr. COOK: Yes, it is federal legislation.

Mr. COWAN: Do you say there has been a high accident rate?

Mr. COOK: The accident rate has been very high.

Mr. COWAN: That is what I thought.

Mr. MACGILLIVRAY: The witness to whom you referred was discussing fishing vessels.

Mr. COWAN: I was talking about small boats. It does not matter whether they are fishing vessels or any other vessels; they are small boats.

Mr. HAHN: It is not applicable to clause 4.

Mr. COWAN: It is applicable to Canadians.

Mr. BARNETT: May I ask one or two questions which relate to the proposed clause (c) which has to do with steamship tugs of not more than 150 tons?

I understood Mr. Lindsay to say that he is happy about this because it does increase the nominal horsepower from 10 to 15.

I am just trying to follow the sequence of this situation in the legislation. It is a little complicated here for a layman. We have to refer to three documents. First of all, we have to refer to subsection (1) of section 115 of the

Shipping Act, related to the 1956 amendment of subsection (2) which, as I understand it, we are seeking further to amend.

Just where does this 10 nominal horsepower provision come in? Is that the provision set out in subsection (c) (vii) of section 115?

Mr. MACGILLIVRAY: It is subsection (1), paragraph (l), subparagraph (iii). That is as follows:

> (l) if the steamship is a home-trade, inland waters or minor waters ship, other than a passenger ship,
>
> (iii) of more than ten but not more than twenty-five nominal horsepower where the propelling machinery is of any type other than compound steam or turbine engines and the ship is not solely engaged in fishing, with at least one engineer, who shall be at least a third class engineer, duly certificated.

Mr. BARNETT: I did not follow your numbering.

Mr. MACGILLIVRAY: This is the amendment contained in Chapter 32, 1961. It is the last paragraph in that chapter and the last subparagraph in that paragraph.

Mr. BARNETT: In other words, the effect of the proposed new subclause (c) is to provide an exception to section 115 (1) (c) (l). Is that right?

Mr. MACGILLIVRAY: Yes, in the case of tugboats of not more than 150 tons it gives the Minister power to grant the exception from the requirement contained in paragraph (l) subparagraph (3) of subsection (1).

Mr. BARNETT: Most of the discussion so far, Mr. Chairman, has related to the proposed new subsection (2) paragraph (a) of section 115. I wonder if we could have some explanation of why it is deemed desirable to raise it from 10 to 15.

Mr. PICKERSGILL: I think Mr. Cumyn can answer that.

Mr. BARNETT: I may be wrong, but the impression I gained is that we are now dealing with the class of tugboat that would be operating on more open waters and on longer voyages than some of these smaller tugboats that are referred to in this paragraph.

Mr. PICKERSGILL: I do not think it would be more open waters because if you read the last part you will see the definition of "home-trade voyages or inland voyages", so it is merely that they are going outside Canadian waters but in the same kind of waters.

Mr. CUMYN: Paragraph (l) 3 requires that a steamship on the home-trade inland waters or minor waters, other than a passenger ship of more than ten, but not more than 25 nominal horsepower shall be provided with a third class engineer duly certificated. We do not propose to interfere with that requirement. That requirement still stands. Vessels in this category are still carrying a third class engineer. The section we propose to amend is subsection (2) which reads:

> Notwithstanding anything hereinbefore contained, every steamship to which this section applies shall be provided with such number of engineers, duly certificated, as will ensure reasonable periods of watch, having due regard to the length of any voyage, and other related circumstances, and any such additional engineer may be a fourth class engineer, duly certificated.

In other words, one subsection provides that a third class engineer shall be carried and the other subsection provides that your ship has an engineer on each watch. If you are running a three-watch shift, then you must carry three

engineers, and one of them shall be a third class engineer and the other two shall be fourth class engineers. If you are running a two-watch shift, you would have two engineers, one of whom would be a third class engineer and the other a fourth class engineer.

We propose to let that requirement which provides for the carriage of a third class engineer stand. We are not interfering with that. However, we are suggesting that the fourth class engineer who stands the other watch might be dispensed with. This would mean that the third class engineer would not stand a watch, but would have the over-all supervision of the machinery. He would be available on call at all times, but he would not stand a regular watch.

Mr. WINCH: Twenty-four hours on call.

Mr. CUMYN: The watch, in effect, would be maintained by the officer on the bridge who would be keeping an eye on the instruments which he has in front of him and which indicate in the engineroom the condition of the bearings and whether or not there is a fire and whether or not the bilge water is out of control, or something like that.

Mr. BARNETT: Could you tell us in layman's language just what kind of trips could be made under this classification; what waters on the British Columbia coast would be involved?

Mr. CUMYN: This relaxation is confined to vessels that make voyages not more exposed than home-trade voyage class III, or inland voyage class II. These are voyages in which a vessel does not go more than 20 miles from shore or 200 miles between ports.

Mr. WINCH: Does 20 miles from shore mean 20 miles west of Queen Charlotte?

Mr. CUMYN: Absolutely. It means twenty miles from any shore.

Mr. BARNETT: I would like to get a picture in my mind of what we are talking about. The class of tug under this proposed arrangement could operate in effect up and down the coast of British Columbia, including from Prince Rupert to Port Hardy, or voyages of that kind.

Mr. CUMYN: Yes, provided at no time it was more than 20 miles from land.

Mr. BARNETT: I wonder whether you could give us an indication of what the minimum sized crew would be in respect of the requirement for a fourth class engineer being on board.

Mr. CUMYN: The answer to that is a rather difficult one and I would like to have it answered by Mr. Jones, who recently was our senior inspector in the port of Vancouver and is very familiar with the tugs in question.

Mr. E. J. JONES (*Steamship Inspection Service, Department of Transport*): The home-trade voyage class III, first of all, is not more than 20 miles from land and not more than 100 miles between ports of refuge. A home-trade voyage class III would not take a boat from Vancouver to the west coast of the Charlottes. It would permit a boat stationed in the Charlottes to proceed not more than 20 miles from land.

In so far as crews are concerned, these vessels of not over 150 tons and between 10 or 15 nominal horsepower normally are manned with six or seven men.

Mr. BARNETT: This is under the present legislation?

Mr. JONES: Yes.

Mr. BARNETT: What if this proposed legislation goes through?

Mr. JONES: It would go from a six man crew to five. I am speaking in generalities now. I do not know the manning of every ship on the coast, but that generally is correct.

Mr. McNULTY: In respect of Mr. Cook's brief, I am wondering what would be the cost of refitting from the nominal horsepower to the high speed engine.

Mr. COOK: I could not tell you the exact cost of this. However, I know it must have been sizeable. Many of the companies are doing this with their vessels. If the hull is in good shape they will take the heavy duty engine out and replace it with the high speed engine. The heavy duty engine may be four or five hundred horsepower, which will require two engineers, and the engine put into it will be 765 horsepower and this will call for no engineer. If they carry this out throughout the whole towing industry, which they probably will have to do because of competition, and if they cannot re-engine their older vessels, they will scrap those vessels and rebuild this type of vessel. Where we have engineers on many types of vessels now, we would not have them at all.

Mr. McNULTY: Would the 30 engineers mentioned who have employment now lose their jobs because of this? Are they men who already are hired?

Mr. COOK: There are more than that who are hired.

Mr. McNULTY: And they would lose their jobs?

Mr. COOK: I could not give you an exact figure, but it would be over 200 if they carried it right through.

Mr. MACALUSO: I would like to go back to my previous statement. Although I can understand Mr. Cook's feeling, because he has to look at the employment situation, I still do not think we are concerned with this. It is the safety aspect of the ships with which we are concerned. That is the reason I previously mentioned there could be a closer liaison between the Department of Transport and the Department of Labour in the research which is going on so they can work together, keeping in mind each others' problems. After listening to the evidence I think perhaps 4(c) to a certain extent is offset by 2(a). I think you might be satisfied with at least half a loaf or three quarters of a loaf rather than none at all.

Mr. COOK: There seems to be an assumption that this consultative program we have set up is a program pertaining to employment. It is not. One of the primary reasons for this is safety. Secondly, we are more concerned with the aspect of safety than we are with the aspect of employment in this particular contemplated change. What bothers me tremendously now is that here we discuss vessels of up to 250 tons with a certain nominal horsepower and we restrict the voyage; we say this vessel can only go so far and if it goes any farther it has to have more engineers aboard. Yet it leaves the door open for vessels of more tonnage than is stated in the other part of the change, with 765 horsepower, to go anywhere with no restriction and no more men aboard the vessel.

Mr. MACALUSO: They do that now.

Mr. COOK: This is true. What we say is if we are to change the act, let us change it and protect all the people in the industry; or if this cannot be done, let us have a research program in the industry with a view to bringing in proposed legislation which will protect the people in the industry. We do not want to protect a few people and leave some people possibly in a position of losing their lives; and this could happen.

Mr. PICKERSGILL: I would like to put a question to you, and then the same question to Mr. Lindsay. Paragraph (c), and only it, not 2(a), would permit the minister under certain conditions to dispense with the need for a fourth class engineer. Have you any basic objection to that? I do not think at any time that you have suggested you have.

Mr. COOK: We do not object to this idea of one man being aboard a vessel that is semi-automated or mechanized, so long as there is someone there capable of looking after the engine, and so long as this covers all vessels. We

do not want to see legislation passed which will cover just a certain number of vessels and leave a large area open at the bottom.

Mr. PICKERSGILL: But you do not object to this at all in principle?

Mr. COOK: No.

Mr. PICKERSGILL: And certainly you do not, Mr. Lindsay?

Mr. LINDSAY: I did object tonnage wise, but I am prepared to forget that.

Mr. PICKERSGILL: I do not think I need ask Mr. Lindsay to answer this question, but to be fair I will put it to both witnesses. If we will not do anything else, would you rather us leave out 2 (a) and leave it at 10 horsepower rather than reducing it to 8 horsepower?

Mr. COOK: No. To go back to my original statement, if you are going to put in changes, bring in changes that cover all the vessels.

Mr. PICKERSGILL: I am the Minister of Transport and I have to take the responsibility for making a recommendation. Unless my officers convince me I ought to do so, I would not be prepared to reduce it from 10 to 8. I am prepared to do that if I am convinced that I should. The fact that the bill is here shows I am prepared to do it. It may be that I should go farther; but if I do not, would you rather I left it alone or went down to 8?

Mr. COOK: Well, that is like asking me if I would beat my wife or something.

Mr. PICKERSGILL: We had the same situation in the House of Commons last night. We are prepared to fix the minimum at $1.25 and there were some persons in the House of Commons who wanted it made $1.50.

There were some people in the House of Commons who wanted it made $1.50, and then they said, if you will not make it $1.50 we would rather have the $1.25 than nothing. That is exactly a parallel situation. We are anxious—and I think it is our duty—to do our best, because we think that for safety reasons we ought to have these engineers on these vessels with the nominal horsepower indicated. If we are not prepared to go on and do what my friend wants done do you think we should do it anyway, or do you think we should not do it?

Mr. COOK: I am certainly not going to answer in the affirmative and give the idea that now I have accepted the fact that the figure eight is sufficient.

Mr. PICKERSGILL: No, I would not want to twist your words, but in presenting it in parliament I would say that this does not go as far as you wanted, but that it increases the horsepower to a higher degree than the owners wanted. The consensus of the Department of Transport, which I have accepted, was that we should go at least this far now, notwithstanding the fact that we are not convinced that it should not go farther.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell me, Mr. Pickersgill, how many vessels would be affected? Can you give us any idea?

Mr. PICKERSGILL: You mean by reducing it from 10 to eight? Perhaps Mr. Cumyn or Mr. Jones could tell us.

Mr. CUMYN: Twelve vessels would be reduced from 10 to eight out of 600.

Mr. PICKERSGILL: That is the criterion in the bill now. How many vessels would require certificated engineers?

Mr. LINDSAY: I think I have the figures here. Are you talking about vessels reduced from 10 to eight? How many would be involved?

Mr. PICKERSGILL: Yes, how many new vessels would be brought under the act?

Mr. LINDSAY: I have a list of 30 vessels before me which would be brought under 2(a) of the act which are not presently under it.

Mr. COWAN: Is this confined exclusively to the west coast, Mr. Pickersgill?

Mr. PICKERSGILL: You say 23 vessels, Mr. Cumyn.

Mr. LINDSAY: I was in error in what I said.

Mr. PICKERSGILL: You think that 23 is about right?

Mr. CUMYN: Yes, that is right.

Mr. PICKERSGILL: There is a substantial number of vessels which would be brought under the law and required to have certificated engineers which now do not have them.

Mr. COWAN: Does this apply all across Canada, or just to 23 vessels on the west coast?

Mr. PICKERSGILL: On the west coast. As I understand it, this part of the legislation is mainly of concern to the west coast, or almost exclusively so.

Mr. HAHN: I think we have explored the arguments pro and con pretty thoroughly. Therefore I would like to move the question.

The CHAIRMAN: Have members of the committee any more questions?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I would like to ask the minister a question in the light of Mr. MacEachen's answer to me yesterday in regard to the signing of this document by the federal Department of Labour—which I understood from Mr. MacEachen's statement was to be signed today at Vancouver, by the employees and employers and then flown to Ottawa for his signature almost immediately.

In view of the government's reason for subscribing to this research committee and in view the statement that in carrying out this purpose the research committee shall have due regard to the rights, obligations and responsibilities of all parties and shall acquaint themselves with the technical efficiency, the sound and natural relationship, as well as safety for the industry; further, Mr. Pickersgill, in view of the fact that it is not always easy to reopen an act—as I am sure you will agree—and sometimes a government is reluctant to do that in the fear of taking the lid off a can of worms, does the minister think it advisable to delete clause 4, which I gather really does not please either of the two parties who are signatories to this document, until a report is received from the research committee.

Mr. PICKERSGILL: No, I think it would be an admission that I was either incompetent in bringing the legislation down, or that I was careless about safety in withdrawing it. It is quite true that I could withdraw paragraph (c) which would dispense with engineers. Our opinion is that we ought to have engineers on these vessels of eight horsepower—and one of the houses of our parliament has accepted our considered opinion. Now they are only required on vessels of 10 horsepower. There are 23 ships at least which would be involved, which now do not have to have certificated engineers which then will have to have them if this legislation is passed and proclaimed.

I have said it is necessary for safety reasons and I would not sleep very easily in my bed if I had to wait for some investigation to see whether it should be 25, 27, 30 or 35. I have a responsibility, and I am the one who is held responsible for safety.

We have said that in this class of vessels we think that a certificated engineer is necessary; if parliament does not wish to agree with me, I shall accept their direction. But I think I must put it to parliament that I do not think we ought to put this through. Since neither party really objects substantially to paragraph (c), I can see no reason for not putting it forward. That is my considered opinion.

Mr. COWAN: You introduced a piece of legislation regarding community antennae television in the house, and then you withdrew it, because you said you were waiting for a full committee report.

Mr. PICKERSGILL: I do not think that affects safety.

Mr. COWAN: I did not say it did.

Mr. PICKERSGILL: It is my responsibility to deal with safety of life at sea. I am very surprised at the strong stand taken by Mr. Cook in saying that we ought to go further; but I would indicate that he and his friends agree to go at least this far. Therefore I see no reason for not going this far.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understood that Mr. Cook and his colleagues, and Mr. Lindsay and his colleagues have already agreed to accept the findings of the research committee.

Mr. PICKERSGILL: That is quite right, but notwithstanding that fact for quite different reasons neither of them is willing to agree to this in its present form; Mr. Lindsay does not want more ships brought under the regulations or more regularized requirements, and Mr. Cook wants it to go farther. We do think that from the point of view of safety we ought to go this far.

Mr. COOK: May I say one thing. We have agreed in this memorandum of understanding to maintain the status quo until the research results are brought down. The status quo does accept engineers on every one of these vessels we are talking about in the legislation, and within this bill too.

Mr. PICKERSGILL: Therefore all we have to do is to lay down a minimum standard here and we have no objection to the industry going beyond this minimum standard. What we are doing here is not going to affect—according to what Mr. Cook has said—the status quo, because the status quo is not the minimum required but is something above the minimum which is now being observed.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Does Mr. Lindsay agree with Mr. Cook that this was the undertaking between the two parties that they would maintain the present status quo?

Mr. LINDSAY: I am not too familiar with this document and I do not want to speak about it further because I feel that the federal government is rather mixed up in this particular inquiry, but I do not think this should influence any legislation or judgment at all.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It might enable the minister to sleep better at night!

Mr. PICKERSGILL: I have my duties to perform.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have they agreed to maintain the status quo?

Mr. PICKERSGILL: I cannot allow even my colleague the Minister of Labour, for whom I have the greatest possible regard, to usurp the functions that are mine as long as I am Minister of Transport. He is talking here only about transportation arrangements, and not about minimum standards which under certain conditions are to prevail. It may be that all parties will recommend higher minimum standards than at the present time, and I am prepared to recommend that if they do, I think it very unlikely that we would not recommend them to parliament, even at the risk of reopening the act, about which I have been reminded. This section has not been opened since the statutes were revised a few years ago.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It was in 1952, as I recollect.

The CHAIRMAN: It is moved by Mr. Macaluso and seconded by Mr. Hahn that clause 4 be carried. Are you ready for the question?

All those in favour? Those against?

I declare clause 4 carried.

Shall the title carry?

Carried.

Shall Bill No. S-7 carry?

Bill No. S-7 as amended carried.

Shall I report the bill as amended?

Agreed.

Mr. PICKERSGILL: I wonder if you might permit me to say that my education in this matter has been considerably enlarged by the experience of the committee, and I thank you for the good will you have shown me. I hope we may have the same good will in the house.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I suggest you sleep well tonight, Jack!

The CHAIRMAN: I want to thank the witnesses, Mr. Cook, Capt. Meadows, representatives of the tugboat owners, Mr. Cliffe, Mr. Lindsay and the officials of the Department of Transport, including the minister, for taking part in this discussion. Thank you very much.

It is now understood that we shall meet on Tuesday to consider the pipe line bills in room No. 371 at 10 o'clock. On Thursday we shall meet to consider the railway bill, C-120, and to hear officials of the Department of Transport. Thank you very much.

APPENDIX "A"

CAMPBELL, GODFREY & LEWTAS

Barristers & Solicitors

Toronto 1, Canada

February 24, 1965.

Airmail Special Delivery

Mr. A. Plouffe,
Chief Clerk of Committees,
Committees and Private Legislation Branch,
House of Commons,
Ottawa, Canada.

Dear Mr. Plouffe:

re: Bill S-7

I would confirm my telephone advice to you of this morning that our client, Upper Lakes Shipping Ltd., *does not intend to file a brief with respect to the above-mentioned Bill* with the Standing Committee on Railways, Canals and Telegraph Lines. I apologize for any inconvenience that our delay in so advising you may have caused.

Yours truly,

Signed (R. V. Sankey)

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, ESQ.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, FEBRUARY 23, 1965

Respecting

BILL S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.

BILL S-43, An Act respecting Canadian-Montana Pipe Line Company

BILL S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

INCLUDING THE SEVENTH REPORT TO THE HOUSE

WITNESSES:

Mr. Joseph H. Konst and Mr. Gordon Henderson, Q.C., *Parliamentary Agents,* Ottawa, Mr. Peter C. Bawden, President, *Peter Bawden Drilling Company,* Calgary, and Mr. Louis S. Stadler Vice-President, *Canadian-Montana Pipe Line Company,* Calgary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21715—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Addison
Armstrong
Balcer
Barnett
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cooper
Cowan
Crossman
Crouse
Fisher
Foy
Godin
Granger
Greene
Grégoire
Guay
Gundlock
Hahn
Howe (*Wellington-Huron*)
Irvine
Kennedy
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
Macdonald
MacEwan
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Pugh
Rapp
Regan
Rhéaume
Rideout (Mrs.)
Rock
Southam
Stenson
Tucker
Winch—60

(Quorum 12)

D. E. Levesque,
Clerk of the Committee.

Messrs Kindt and Macdonald replaced Messrs Horner (*Acadia*) and Mackasey on February 22, 1965.

ORDERS OF REFERENCE

THURSDAY, February 18, 1965.

Ordered. That the following Bills be referred to the Standing Committee on Railways, Canals and Telegraph Lines:

Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.

Bill S-43, An Act respecting Canadian-Montana Pipe Line Company.

Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

MONDAY, February 22, 1965.

Ordered. That the names of Messrs. Kindt and Macdonald be substituted for those of Messrs. Horner (*Acadia*) and Mackasey on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,
The Clerk of the House.

21715—1½

REPORT TO THE HOUSE

WEDNESDAY, February 24, 1965.

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

SEVENTH REPORT

Your Committee has considered the following Bills and has agreed to report them without amendment:

1. Bill S-41, An Act to incorporate Mountain Pacific Pipeline Ltd.;
2. Bill S-43, An Act respecting Canadian-Montana Pipe Line Company;
3. Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company.

A copy of the Minutes of Proceedings and Evidence relating to the said Bills (*Issue No. 11*) is appended.

Respectfully submitted,

JEAN T. RICHARD,
Chairman.

(Presented this day).

MINUTES OF PROCEEDINGS

TUESDAY, February 23, 1965
(25)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10:05 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Armstrong, Basford, Cameron (*Nanaimo-Cowichan-The Islands*), Cantin, Cowan, Crossman, Foy, Granger, Gundlock, Kindt, Laniel, Lessard (*Saint-Henri*), Leblanc, Lloyd, Matte, McNulty, Nugent, Olson, Richard, Rock, Southam, Tucker, Winch (24).

In attendance: Mr. Joseph H. Konst and Mr. Gordon Henderson, Q.C., Parliamentary Agents; Mr. Peter C. Bawden, President, Peter Bawden Drilling Limited; Mr. Gus A. Van Wielingen, Vice-President, Northern Pacific Pipeline; Mr. Peter Jaffrey, Vice-President, Dominion Securities; Mr. Louis S. Stadler, Vice-President, Canadian-Montana Pipeline Company.

The Chairman introduced Bills S-41, S-43 and S-47.

On Bill S-41, An Act to incorporate Mountain Pacific Pipeline Limited:

The Chairman called the Preamble and asked the sponsor, Mr. Deachman to introduce the Agent. Mr. Henderson explained the Bill and answered questions.

Clauses 1 to 11 inclusive were adopted.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Laniel moved seconded by Mr. Matte,

Resolved: That the Chairman Report the Bill without amendment.

On Bill S-43, An Act respecting Canadian-Montana Pipeline Company:

The Chairman called the Preamble and Mr. Konst explained the purpose of the Bill.

The Committee proceeded to the questioning of the witnesses.

Clause 1 carried.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Foy moved seconded by Mr. Lessard (*Saint-Henri*),

Resolved: That the Chairman Report the Bill without amendment.

On Bill S-47, An Act respecting The Burrard Inlet Tunnel and Bridge Company:

The Chairman asked Mr. Konst to explain the purpose of this Bill.

Clause 1 carried.

The Preamble carried.

The Title carried.

The Bill carried.

Mr. Leblanc moved seconded by Mr. Nugent,

Resolved: That the Chairman Report the Bill without amendment.

At 11.20 o'clck a.m. the Committee adjourned to the call of the Chair.

D. E. Levesque,
Clerk of the Committee.

EVIDENCE

TUESDAY, February 23, 1965.

The CHAIRMAN: Mrs. Rideout and gentlemen, we have before us this morning three bills, Bill S-41, to incorporate Mountain Pipe Line Limited, Bill S-43, respecting Canadian-Montana Pipe Line Company, and Bill S-47, respecting the Burrard Inlet Tunnel and Bridge Company.

I will call the first bill, Bill S-41. The sponsor is Mr. Deachman and I will ask him to introduce the parliamentary agent.

Mr. DEACHMAN: The parliamentary agent who will be acting for the company will be Mr. Gordon Henderson.

Mr. GORDON HENDERSON Q.C. (*Parliamentary Agent*): Mr. Chairman, ladies and gentlemen, may I introduce the persons who are primarily responsible for the undertaking, and ask Mr. Bawden, who has been working actively in association with it, to say a few words about it. Mr. Bawden, who is on my immediate right, is the president of Peter Bawden Drilling Limited, a company that has been carrying on business in Calgary for some years. Mr. Bawden is a resident of Calgary and a Canadian citizen. He has been active in the petroleum industry in Canada and elsewhere since 1952. Since Mr. Bawden has been actively working on this undertaking for the last two years, I believe he would be best able to answer your questions and to deal with the matter in detail. On Mr. Bawden's immediate right is Mr. Gus A. Van Wielingen who is an engineer and who also, I may say, is a Canadian citizen, resident ordinarily in Calgary. He has had 17 years' experience in the petroleum industry, particularly in natural gas and various petrochemical problems. He has been associated for six years with the J. C. Sproule Engineering Company specializing in oil and natural gas. He was also an adviser to the royal commission on energy.

Gentlemen, here are the two individuals primarily interested in this project, and I would ask Mr. Peter Bawden if he would introduce the subject to you, and we will then seek to answer any questions you may put to us.

The CHAIRMAN: I will call the preamble and ask Mr. Bawden to speak.

Mr. PETER C. BAWDEN (*President, Peter Bawden Drilling Limited*): Mr. Chairman, hon. members, it is a pleasure to be here today to give you a brief summary of the Mountain Pacific Pipe Line project. The simple object of our plan involves construction of an eight inch pipe line from west central Alberta to the west coast of Canada. This pipe line will start from Edson, Alberta, and move by the Yellowhead route down through the central part of British Columbia to terminate in the Vancouver area. The simple object of the line is to move under pressure natural gas liquids. These liquids would come from wet gas fields in central and western Alberta. Natural gas liquids of which I am speaking consist of ethane, propane, butanes and some pentanes. In extracting these liquids from wet gas fields we would be extracting from wet gas streams which presently are carrying these liquids. However, they are carrying them in the form of vapour, that is in the form of natural gas, to markets in the United States. When the field plants in the individual gas fields extract these liquids, they, of course, come out in the liquid phase, and it is our plan to move them in the liquid phase to the west coast. In other words, this is a liquids line, not a vapour line; it is not in any way related to crude oil. Therefore, it does not duplicate any existing transportation system over the route envisaged.

I might clarify by saying that the liquids being extracted are presently being moved to the fuel markets in the United States. The markets that we envisage are primarily in the Pacific area, and more specifically in Japan. It would be our intention to make any product that could be sold available along the pipe line route through British Columbia and also on the west coast of Canada.

The Japanese market is a very rapidly expanding one in a very dynamic country. Their fuel needs are almost insatiable. However, it is very important that, if Canada is to supply any part of this market, we do so immediately because the fuel policy and contractual arrangements which are presently being formulated in that country could well exclude Canadian products if we do not move quickly to take advantage of the present situation.

I might say that Mr. Van Wielingen and I have made many trips to Japan in the past 18 months. We feel that this is a natural market for some of Canada's petroleum output.

The principals involved in this company at the present time are limited to Mr. Van Wielingen and myself. We are both Canadians and we feel very strongly that this is a unique opportunity for us as Canadians to proceed with such an endeavour.

The cost of this project is estimated at $42 million. In the course of our work we have made contact and worked with Dominion Securities, one of Canada's leading financial organizations. They have assured us that, subject to completion of the contractual arrangements which we are presently negotiating, the project is financible.

The timing of this development is as follows: We must, following incorporation of the company, move before the conservation board of Alberta and thence to the national energy board here in Ottawa. It will be the duty of the national energy board to consider, in great deal, questions of product supply, marketing contacts at the other end, and, of course, a detailed consideration of our financing plan. It is our intention to commence construction of the major pipe line at the gathering system early in 1966 so that we can supply the Japanese market by the winter of 1966-1967. I might add that they are experiencing a terrific shortage of these products in this current winter, and we are most anxious to be in a position to fulfil this need during the winter of 1966-67.

Having given you this very brief summary, I would like to say that I have a small but competent group here which is capable of answering any questions. We will be very happy to attempt to answer any questions that you might wish to ask.

Mr. WINCH: Mr. Chairman, there are three questions that I would like to ask at this time, and I will ask them all together now.

In view of the statement made by Dr. Bawden that only he and Mr. Van Wielingen are concerned I wonder why Mr. Van Wielingen's name does not appear in the incorporation document.

My second question is addressed to Mr. Bawden. Do you have any provisional contracts for the export of ethane and propane to Japan?

My third question is whether there is any type of guarantee, in your request to the House of Commons for incorporation, that there shall not be a recurrence of past experiences of shares being put in escrow and made available to the originators or the founders at a lower price than the stock market value?

Mr. BAWDEN: Mr. Chairman, I am happy to answer these questions.

Firstly, as far as Mr. Van Wielingen's participation in this company is concerned, at the time that we made our original application for this bill Mr. Van Wielingen was not an employee of the company. Being an employee of another firm at that time he was not available to join us when we made our original application.

In reply to your second question regarding the matter of provisional contracts, I would like to say at this time that our marketing arrangements and contracts are at an advanced stage of negotiation. I am unable to report that we have actually concluded and signed contracts at this time.

Regarding the question of options on escrow stock being made available to employees, we have, at this time, made absolutely no promises and no commitments in this regard. It is our intention to follow a most conservative policy in the financing of the company. We have been very careful to avoid any such commitments. It is not our intention to follow through on the issue of stock to employees in any way that could be considered unreasonable or bring special benefits to the individuals concerned.

Mr. WINCH: Would you put that in the act?

Mr. HENDERSON: If I may comment on this, Mr. Chairman, we do not want to put into the act any restrictions that would make it impossible to carry on financing through Dominion Securities. However, we would be prepared to give whatever assurances may be necessary or to put in the act whatever wording is necessary to ensure—

Mr. WINCH: But, Mr. Chairman, I want it understood. I am not questioning how it is financed. As you know, we have experienced this lack of protection over the years in respect of various pipe line and oil companies and I want to be sure that in connection with this bill we have the protection that we have not had in the past. I want to ensure that a few hundred thousand or even a million shares cannot be bought by the promoters at a price which is an absolute give away and then, because there is no capital gains tax in Canada, they would be allowed to make millions of dollars.

Mr. HENDERSON: As I said, Mr. Chairman, this is not the intent and we would consider having included any reasonable wording to that effect. As I said, it is the intent of the company to do its financing through Dominion Securities and to carry it out on a conservative basis without any attempt at all to derive benefits as have been suggested. Certainly, any reasonable wording which would have that effect would be considered by the sponsors.

Mr. BAWDEN: Mr. Chairman, I can assure the hon. member that it is absolutely and completely beyond the intent of our group or myself to participate in the way that has been suggested. I think it would be unreasonable that vast millions of dollars would accrue to any individual.

The CHAIRMAN: Are there any other questions?

Mr. KINDT: Mr. Chairman, let us nail this particular feature down. As you know, there has been a lot of discussion in the past because of the Trans-Pacific Pipe Line, the Tanner deal and others. We have had manipulation of shares by the promoters.

I think promoters certainly are deserving of something and that they should be well rewarded for their efforts in promoting these pipe lines, otherwise we never could have these corporations established. But, on the other hand, there has to be some safeguard for the public, and this will have to be written into the bill before I pass it. I want to know how much is going to come out of financing. I approve of the statements made by Mr. Winch. I am 100 per cent behind the establishment of this company but I want this bill handled in such a way that the public is protected.

The CHAIRMAN: Does any other member wish to comment on this?

Mr. ROCK: Mr. Chairman, perhaps some members would like to know in advance the financial standing of these two gentlemen in order that it will be known what their standing will be later on.

Mr. WINCH: No, Mr. Chairman; I will accept the statement made, that a proper bill is before us. I want to make sure—and I presume that the people who have been spoken to feel the same—that we are not going to have a repetition of what we have had in respect of some companies in the past.

The CHAIRMAN: Shall we proceed with clause 1?

Mr. KINDT: Mr. Chairman, before doing that, what procedure would be necessary to include this kind of thinking in the bill before it goes on to the floor of the house?

Mr. ROCK: This is the place to do that.

Mr. NUGENT: Mr. Chairman, the value of the shares is set down in the bill. The public, which might be interested in buying shares, is protected by the various securities commissions in the provinces, and I cannot see any practical way by which this committee can determine how much profit one should be able to make in putting together a venture of this magnitude.

I can understand Mr. Winch's concern. However, I think we should take into account the fact that there is a securities commission; their job is to protect the public. The share value is set down in the bill. I think it would be impossible for us, and certainly it is not our function, to say how much profit shall be made.

We should bear in mind that this is a highly competitive industry. Other than having the assurance of these gentlemen there is really no practical way that we as a committee can do more. If we try to do more I think we would be setting ourselves a hopeless and impossible task and delving into something that really is not our business.

All we are doing is giving these gentlemen the right to form a company. They have to satisfy the Alberta energy board and they have to satisfy the national energy board. They have to be in conformity with the laws of the securities commission and so on. We have the assurance of Mr. Bowden, who is a well-known and reputable businessman in Alberta, and I think that is as far as can go, if we want to proceed in a practical way.

Mr. WINCH: Yet, Mr. Chairman, Mr. Bawden himself said that in view of the historical past he would be prepared, if wording could be found, to have it included in the act.

Mr. NUGENT: That is the part that bothers me. I think we could look for weeks and not find a practical way of expressing that.

The CHAIRMAN: Are there any other comments?

Mr. KINDT: Mr. Chairman, with all due respect to Mr. Nugent, I am not prepared to say that this committee has no power. If we have not the power to deal with a matter of that kind and incorporate something into this act to cover it there is something wrong with this committee and we had better rise and call it a day.

Mr. Chairman, I would like you to ascertain the wishes of this committee in respect of what should be done concerning public protection. I am not accusing Mr. Bawden nor the president of the company because they are the most honourable men in western Canada, and I am 100 per cent behind them. I just want to be assured that the public is not going to be left unprotected, and if we cover that in the act it should make the question of financing much easier, the organization of the company much easier, and I am sure that everyone will be more satisfied. That is the reason I state, in spite of what Mr. Nugent said, that something should be put in the act for the benefit of everyone.

The CHAIRMAN: Mr. Kindt, if you have any suggestions to make I think you should put them in the form of an amendment. I think either you or Mr. Winch should do this. Surely you do not expect the chairman to suggest an amendment to this bill.

Mr. WINCH: This would entail very careful legal terminology. I understand that Mr. Bawden has a most competent staff with him today; perhaps his staff could make a suggestion to meet the proposition which has been put forward.

Mr. NUGENT: Mr. Chairman, I suggest it is very unfair to ask these people who have come here to do this. They already have been assured that everything is in order. The bill has gone through the Senate and it has been checked by the law officers. In my opinion, they should not be faced at this time with such an uncomprehensible task as has been suggested to satisfy these two gentlemen.

As I said, Mr. Chairman, there is no practical way of doing this. I think the Chairman was being very fair when he suggested that these gentlemen put forward a specific amendment. Perhaps they could show us a practical way of doing it. I am willing to listen. But, as I said, I do not think it is fair to ask the witnesses to come forward with a wording to cover this.

Mr. WINCH: Mr. Chairman, may I say that I am wholly in support of the idea behind this bill. I hope it goes through. But, I think at the same time we have to ask for certain protection and, as I stated earlier, we have been assured by Mr. Bawden that he would like to meet our objections.

The CHAIRMAN: Well, it is not my wish to speak on this matter but I am inclined to believe that, unless someone has studied this matter and has found that it is within the competence of this parliament to regulate the issue of securities, this is primarily under provincial control. In my opinion, it would be very difficult for members of this committee to consider any general suggestion. However, a specific suggestion might be entertained, and if someone would put a suggestion forward I would welcome it. But, as Mr. Nugent stated, this would be more a matter for provincial securities commissions than any powers given to the house in respect of these bills.

Mr. GRANGER: Mr. Chairman, do I understand from Mr. Nugent that there are provisions in other legislation to cover the questions raised?

Mr. WINCH: There was not, and that is the problem.

Mr. FOY: Mr. Chairman, I would agree with Mr. Nugent in this respect; it is very unfair for this committee to subject the principals who are here to this kind of questioning. I believe when you incorporate a company such as this you follow a standard pattern. Any advice comes from the securities commission and other bodies and, in order to incorporate a company, you have to go along with the laws not only of the federal government but of the provincial government, which is involved here, and the securities commission in a particular province is a part of that. They have used standard procedure in setting out the stock arrangement. This is the way a corporation is formed. If there is a need for a change in the legislation it should not come before the committee at this time just to satisfy certain members of the committee.

Mr. BASFORD: Mr. Chairman, further to the question put by Mr. Granger, when a company initially invites the public to participate it has to set out in its prospectus any preliminary financial arrangements it has entered into which, I am sure, would provide an answer to Mr. Winch's question. The public would have to be made aware of any arrangements made and prospective investors would know of any such arrangements.

The CHAIRMAN: Are there any other comments?

Mr. KINDT: Mr. Chairman, is that not the procedure that has been followed in the incorporation of all pipe lines? I am thinking of Trans-Pacific Pipe Line Company, Canada Pipe Line and many others.

Mr. WINCH: Trans-Mountain is a bad example.

Mr. KINDT: Mr. Chairman, I believe we will be leaving an open end if we do not provide a little more protection for the public. I would like to repeat that, in my opinion, most of the people, myself included, are 100 per cent behind the building of this pipe line. I would like to see the people of Alberta invest in this pipe line, but I want to be assured that there is not someone sweeping up, like Mr. Tanner. I would like to see the people of Alberta deriving benefits from this pipe line, as well as Mr. Bawden and the others who are promoting it. I think that in the long run it would be in their best interests if this additional protection was given. If this was done the public would have some protection which they do not have at the present time. But, if we do nothing about this at the present time and the bill goes through, and is written in such a way that these people who are associated with it at the expense of the public take an undue share, I would be very unhappy. As I said, I think the public should be protected in some way.

Mr. BASFORD: Mr. Chairman, I think the public is sufficiently protected under the various securities acts. I think Dr. Kindt is trying to impose upon this one particular company certain restrictions in respect of the issuance of its share capital which no other company would have. It seems to me it is unfair to put restrictions on this one company.

If Dr. Kindt is unhappy with the company or security laws of the country, he should make appropriate amendments to those laws and not to this particular act. It would seem to me it is completely unfair to put specific and peculiar limitations on this one company when no other company has similar restrictions.

Mr. LLOYD: I would like to say in general that if you propose to limit the powers of a private bill applicable to a particular company, I think you should indicate specifically the reasons and not express them in too general terms. Otherwise you are singling out this particular company for special legislative action. If there is anything in this bill which tends to overcome any other legislative enactment, then this should be pointed out specifically, and if Dr. Kindt could do so, then I think what he is talking about might have some merit. However, I think the onus should be on him to point out how this bill avoids the restrictions which exist in other legislation such as the securities act or the Companies Act, as the case may be. If we could have that information, then we might have some comprehension concerning what Dr. Kindt is discussing.

Mr. KINDT: Coming from western Canada as I do, I well recall the feeling among the people with regard to the profits made from promoting pipe lines. Here is a bill which all of us are behind—at least I am—and I would like to help these persons get it established. I would also like to see their proper public relations started off right. It is this fear on the part of the public that somebody in the corporation is going to take a big slice out of it that will keep the money from being invested which should come from Alberta to help build the pipe line.

We want these developments to take place in the west. There is something inherently wrong in the articles of incorporation, or elsewhere, of this particular bill if something cannot be inserted in the bill before it passes parliament; in other words, an intention or some such thing. I see no harm in including that. I support Mr. Winch in his suggestion.

Mr. OLSON: Mr. Chairman, I think it is completely unfair to draw a parallel between this bill and the Trans-Canada Pipe Lines, for example. Certainly, both are pipe lines, but there the similarity ends. In respect of the Trans-Canada Pipe Lines, there the similarity ends; a lot of other arrangements were made, including a certain amount of government financing for certain sections of the pipe line that are not being requested in this bill at all. The movement of LBG from Alberta to the Pacific coast is going to be a highly competitive business.

There is no competition for the Trans-Canada Pipe Lines in moving gas from Alberta to the eastern market. In addition this pipe line will have the problems of building and maintaining markets so that the company can be profitable, quite apart from not having more or less a monopoly on the movement of the fuel.

I just wish to say that I think drawing this kind of a parallel and using it as a reason is not a fair argument at all.

The CHAIRMAN: Are there any other comments? If not, I would be inclined to suggest that we should proceed to clause 1, unless at the proper time someone is willing to introduce an amendment.

Clauses 1 to 5 inclusive agreed to.

On clause 6.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I notice that this clause includes authority to own, lease, operate and maintain inter-station telephone, teletype, telegraph and microwave or television communication systems and subject to the Radio Act, and any other statute relating to radio, microwave or television, own, lease, operate and maintain interstation radio, microwave or television communication facilities.

Could Mr. Bawden explain this? This is not an ordinary radio television station that is proposed; it is just interstation for your own communications?

Mr. NUGENT: It is a standard clause. It is a problem of supervising and maintaining the safety of the line and their own communications along the line.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then you also have provision to purchase, hold, lease, sell, improve, exchange or otherwise deal in any property and may subdivide the same into building lots and generally lay the same out into lots, streets and building sites. Am I right in presuming that this is the provision for the building of what used to be known as a company town or settlement for the employees of the company.

Mr. BAWDEN: Yes, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is not the intention to embark on an investment for speculation or promotion?

Mr. BAWDEN: No.

Mr. COWAN: Mr. Cameron referred to the power to maintain an interstation telephone. That will give the Bell Telephone Company the right to invest in this firm because they are maintaining a telephone there. Like the Northern Electric, it is not going to be a subsidiary of Bell, is it?

Mr. BASFORD: Mr. Cowan will want to know whether they are going to have a British network or a French network.

Clause agreed to.

On Clause 7—*Section of the Companies Act to apply.*

Mr. LLOYD: Mr. Chairman, before you go beyond clauses 7 and 8—I apologize for being late because the explanation to this may have been given—I would like to know from the witnesses the explanation of why they wish that the sections recited in clauses 7 and 8 be inapplicable to their particular company. What is the reason that you wish to avoid the application of these particular sections of the Companies Act?

Mr. HENDERSON: May I answer that shortly by saying that in clause 7 you find a group of sections which have been excepted because they were considered to be inapplicable to a company incorporated by a private act as opposed to a

company incorporated under the Companies Act. These have been excepted because of the very nature of the statute we are seeking; not for any special purpose, but because the present provisions are, by their nature, inapplicable.

These sections were gone over very carefully and a check was made in respect of their applicability. I may say that we have followed a previous bill which has now been enacted; that is, the Polaris bill which gave these sections a great deal of consideration. After looking at the various sections we ended up by following the exact format of the previous statute. In the Polaris Act you will find these excepted in exactly the same way they are here. The short answer is that they are out because of their inapplicability to a private bill.

Mr. LLOYD: Is the fact that this was done in a previous bill the only reason?

Mr. HENDERSON: No. As I say, the reason is they are inapplicable to a bill of this type, and the precedent is a previous bill.

Mr. LLOYD: What do these sections require of ordinary companies incorporated under the Companies Act that you will not be required to do?

Mr. BASFORD: Mr. Lloyd is a chartered accountant and I thought he would know this.

Mr. LLOYD: Mr. Lloyd is a member of parliament sitting with his colleagues who represent a variety of professions. I suspect that most of us do not know the provisions of the various acts.

Mr. NUGENT: Would it help if Mr. Lloyd was reminded that this bill went through the Senate and the law clerk of the Senate put his stamp of approval on it?

Mr. LLOYD: We have a responsibility which is different from that of the Senate, and when a witness appears before a committee of this nature with a private bill asking that certain provisions of the Companies Act not apply to a certain company, I would expect that he would anticipate that we would ask him for an explanation of why these particular sections should not apply.

Mr. HENDERSON: May I take as an example section 14 (2) of the Companies Act. It reads:

> The company shall from the date of its letters patent become and be vested with all property and rights, real and personal, theretofore held for it under any trust created with a view to its incorporation.

That is inapplicable in this case. There is no such trust. Had there been, we would have explained the details and this would not have been out.

Section 12 (7) reads:

> Where the authorized capital of a company consists, in whole or in part, of shares without nominal or par value the paid up capital of the company shall, with respect to those shares, be an amount equal to the aggregate amount of the consideration received by the company for such of those shares as are issued, exclusive of such part of such consideration as may be set aside as distributable surplus in accordance with the provisions of this part or as may have been lawfully set aside as distributable surplus before the 1st day of October, 1934.

This has no particular meaning to this particular type of company. We have our non-par value provisions set out in detail. In other words, there is no need for that particular provision, nor is there for subclauses 8 and 9 which I will read:

> (8) Each share of the capital stock without nominal or par value shall be equal to every other such share of the capital stock subject to the preferred, deferred or other special rights or restrictions, conditions or limitations attached to any class of shares.

(9) Every certificate of shares without norminal or par value shall have plainly written or printed upon its face the number of such shares which it represents and the number of such shares that the company is authorized to issue, and no such certificate shall express any nominal or par value of such shares.

This is the type of provisions which have been excluded. I may take section 15:

(1) A company shall not make any loan to any of its shareholders or directors or give whether directly or indirectly, and whether by means of a loan, guarantee, the provision of security or otherwise, any financial assistance for the purpose of, or in connection with, a purchase made or to be made by any person of any shares in the company.

That is another provision which has been excluded.

Mr. LLOYD: It has been excluded from this bill.

Mr. HENDERSON: That is correct.

Mr. LLOYD: Why would you exclude it from your bill; what is the reason the general law should not apply with respect to this company? This is in respect of a loan to a shareholder.

Mr. HENDERSON: That is correct.

Mr. LLOYD: Why would you wish to have this excluded from your act?

Mr. HENDERSON: I only read the major part of it. Then there are several exceptions to that. I may say there are two reasons; one is that it has been the custom in the past to exclude it and, second, so far as we are concerned, we saw no particular purpose in that section from the standpoint of this company.

Oh, I have been misspeaking about the ones which are excluded, I am reminded by Mr. Konst. You are perfectly right; they are not exactly the ones excluded by 153 and 155 and so on. You and I have been misspeaking, and I apologize.

Mr. LLOYD: Otherwise I would have asked to suspend all discussion of the bill.

The CHAIRMAN: Does clause 7 carry?

Clause 7 agreed to.

We are now on clause 8.

On clause 8.

Mr. LLOYD: Let us get to the exclusions.

Mr. HENDERSON: I apologize for taking up your time. Section 153 of the Companies Act reads as follows:

To manage company.

153. The affairs of the company shall be managed by a board of not more than nine and not less than three directors. 1934, c. 33, s. 149.

Section 154 reads as follows:

Provisional directors.

154. The persons named as such, in the special act, shall be the first or provisional directors of the company, and shall remain in office until replaced by directors duly elected in their stead. 1934, c. 33, s. 150.

Section 155 reads as follows:

Qualification of subsequent directors.

155. No person shall be elected as a director unless he is a shareholder owning shares absolutely in his own right, and not in arrear in respect of any call thereon; and the majority of the directors of the company so chosen shall, at all times, be persons resident in Canada, and subjects of Her Majesty, by birth or naturalization. 1934, c. 33, s. 151.

We have a special provision in the act to the effect that we must be Canadians. If you will look at clause 2, subsection (2), it reads:

2. (2) No person shall be elected as a director unless he is a shareholder owning shares absolutely in his own right, and not in arrear in respect of any call thereon; and the majority of the directors of the company so chosen shall, at all times, be persons resident in Canada and Canadian citizens.

So you see we have especially provided for this in our own bill.

Mr. LLOYD: For the majority of directors?

Mr. HENDERSON: That is right. The point is that we have specifically provided in our bill for an equivalent provision.

Section 162 of the Companies Act—if you prefer me to go on, I can do so, but this is the nature of it. These are the preference shares' provisions. But we have our own provisions in each case, and we have especially provided for them, just as in the general statutes.

Mr. LLOYD: So that under each of these clauses you have preferred to have your own provisions which represent some modifications of the provisions of the Companies Act?

Mr. HENDERSON: When you say prefer, that is true, because we urge them on you. We have done this, however, after considering what has been done before us on previous bills, and what is in the Companies Act, and we have especially provided in our act so that anybody who wishes to obtain a share in this company will see in our own statute specifically what the provisions are.

Mr. LLOYD: I am satisfied with the purpose and intent of the company and I will go along with the bill. But I do think it would be incumbent upon us at some stage to make certain that each of these clauses do not give a privilege to this company which is not the general practice. We do not want to be inconsistent with the general purposes of the Companies Act and also the provisions in respect of any other acts. I think this requires some examination of the excepted provisions of the Companies Act, comparing them specifically with the provisions which are in this bill as put forth by the incorporators. I shall not hold it up at this stage because I do not have any specific reason to object to this request being made. But I would suggest that before the bill reaches the house, no doubt some of us will be interested.

Mr. HENDERSON: Very well, we shall be happy to explain it to any interested members.

The CHAIRMAN: Shall clause 8 carry?

Clauses 8, 9 and 10 agreed to.

Now, we are on clause 11.

On clause 11—*Commission on subscription.*

Mr. WINCH: Is this not the clause where Mr. Bawden may be able to suggest some wording which would meet the view of a number of members?

It says that the company may pay a commission. I would like to ask Mr. Bawden if he would provide some type of wording at the end of clause 11—which is the only place I can find where it would tie in—something along this line: "Nor shall any director or shareholder be able to purchase shares held in escrow or on any other basis at more than 10 per cent less than the share market value, or the stock market value".

Mr. HENDERSON: I do not know about this.

Mr. WINCH: It would be the same principle.

Mr. HENDERSON: The last part of the wording presupposes that there is an existing value on the market. But how are you going to determine it?

Mr. WINCH: No. I am not presupposing. What I am concerned with is where there might be hundreds of thousands of shares which could be bought by promoters at what, if my memory is correct, would be about 1/20th or even more than 1/20th of the stock value, or the value of the shares when they bought them.

Mr. HENDERSON: There would have to be a determination of the market value. You presuppose that there will be at any point of time a market value. There might or there might not be. The shares might not be on the market at that time. I merely suggest that this is not a solution. Our problem is simply that we do not know at this moment what impediment a wording of this kind would create in terms of financing. We would have to ask our financial officers what the effect of it would be. I do not want to make a commitment which would be impossible to perform. I want it to be perfectly clear that I do not want to give an undertaking which would create such an impediment to our financial adviser, Dominion Securities, that they would find it impossible to carry out the project.

Mr. WINCH: Do you mean that they would not be satisfied with their 10 per cent?

Mr. HENDERSON: I do not know. I have not discussed with Dominion Securities any amendment of this nature. I do not want to commit myself without being certain that I am not getting into an impossible situation. I do not know.

The second thing is that this is a matter that I would urge be considered with some care in this sense. I would urge you to bear in mind that this is a matter which will of course be considered under the various securities laws of the particular provinces in which any shares are issued, and that each of those provinces will have its own laws. So this is a matter of general protection in any event.

Already you have heard that the principals who are sitting by my side are two men who are well known in western Canada, and you have statements of their integrity. There is also the problem of timing and financing of the project to be considered, and I would ask you to consider whether these exceptions which you suggest are warranted under the circumstances.

Mr. WINCH: Without any inference, might I say that Frank McMahon was also well known in Alberta and British Columbia.

Mr. HENDERSON: This is parallel with Polaris which did receive approval of the House of Commons without any similar limitation. Moreover, several bills of the Polaris nature have received your approval without any limitation of this nature, and the public has been adequately protected by the securities laws. In other words, what I suggest is this: Do not let the exceptions which you are pointing out, govern the general. There is no reason, I suggest to you, that in this case the exceptions govern here.

Mr. WINCH: I do not want to hold up the bill, but I would ask in view of your statement if you would be prepared on behalf of the company, when this bill passes our committee and is recommended to the house, to have the sponsor of the bill in the House of Commons give the results of your further consideration and consultation with the financiers?

Mr. HENDERSON: No.

Mr. WINCH: Otherwise I would have to ask that it stand. But if you are prepared to do that, I would withdraw my objection.

Mr. NUGENT: What Mr. Winch is attempting to do is to perform exactly the functions of the securities commission when the shares are put on the market.

Mr. WINCH: It has not worked.

Mr. NUGENT: It is strictly a provincial function. I suggest that if we are unhappy with the provisions of provincial laws, and with the manner in which they operate in the provinces, I think we should bear in mind that most companies in Canada are incorporated under provincial laws, and that it is unreasonable to make this particular company the whipping boy because we are unhappy with the laws governing the securities commissions in some of the provinces.

Mr. WINCH: It is a little unfair, when we are considering something which comes before the House of Commons, and is within the purview and authority of the House of Commons. We have no power whatsoever under the provincial acts, but we certainly have full power over federal companies.

Mr. NUGENT: Not when you are dealing with matters of property and civil rights. These matters must be handled by the provinces, and it is not for this committee to pre-empt the provincial field. I say that is not the purpose of this committee or of the House of Commons.

The CHAIRMAN: Shall clause 11 carry?

Clause agreed to.

Shall the title carry?

Carried.

Shall the bill carry?

Carried.

Shall I report the bill?

Mr. LANIEL: I move that you report the bill.

Mr. MATTE: I second the motion.

The CHAIRMAN: You have all heard the motion. All those in favour?

Motion agreed to.

I wish to thank you very much Mr. Henderson, Mr. Bawden, and Mr. Van Wielingen.

The next item on the order of business is Bill No. S-43 respecting the Canadian-Montana Pipe Line Company. The sponsor is Mr. Gundlock, and I now call on the agent, Mr. Konst.

I now call the preamble of the bill.

Mr. KONST: Mr. Chairman, hon. members, the Canadian-Montana Pipe Line Company was incorporated by special act of parliament in 1951.

The company is a wholly owned subsidiary, except for the Canadian directors' qualifying shares, of the Montana Power Company which has a head office in the city of Butte in the state of Montana.

When the Canadian-Montana Pipe Line Company applied for its act of incorporation in 1951, its sole purpose was the construction and operation of a pipe line from Pakowki lake area in Alberta to the Alberta-Montana border and, accordingly, its statutory powers were drafted with this purpose in mind.

In 1951, the governments of Canada and Alberta had not defined their present gas export policy, and this was reflected also in the drafting of the act of incorporation. Since 1951 the governments of Canada and Alberta have adopted policies encouraging the export of natural gas, and the Canadian-Montana Pipe Line Company has from time to time received permits allowing it to export increasing amounts of natural gas from the Pakowki lake area to service the Montana market.

During the period of its existence in Canada, the Canadian-Montana Pipe Line Company has accumulated earnings in respect to the operation of its pipe line, which it now wishes to invest in Canada for the exploration and drilling of natural gas. In 1962 there was enacted by parliament of Canada an amendment to the Income Tax Act whereby companies whose principal business is the operation of a pipe line for the transmission of oil or natural gas might deduct exploration and drilling expenses incurred in Canada.

The purpose of the bill before the committee today is to grant to the Canadian-Montana Pipe Line Company authority to explore and drill for natural gas and oil and authority to acquire, by licence, lease or other means, property rights in lands where it is intended to explore and drill.

I might add one or two general words about the company. Its Canadian directors are M. E. Lomas, R. J. Burns, H. T. Tiffen and J. E. A. MacLeod, all of the city of Calgary. The United States directors are L. S. Stadler, J. E. Correte and G. W. O'Connor of Montana.

At present, the company operates 22 miles of pipe line in southern Alberta in two sections; one is a four mile line which connects with the Alberta gas trunk system, and through which gas is purchased from Alberta Southern for transmission to Montana. The other section is 18 miles long and connects the Pakowki lake area to the transmission lines of the parent company at the Canadian-Montana border.

The company plans to explore in the southern part of Alberta and as I have said, has accumulated earnings available for this purpose. It also has behind it a parent company which not only has financial resources but which has a staff of experienced geologists and technical people who have already worked from time to time in Canada and whose knowledge and experience will be available when necessary.

We have with us today, Mr. Chairman, Mr. Louis S. Stadler, the vice president of the Canadian-Montana Pipe Line Company, who has been in the gas and oil business for approximately 33 years. He has been the vice-president of the Canadian-Montana Pipe Line Company since 1957. He will certainly be pleased to answer any questions you might have in connection with the amendment to the charter which is before this committee today.

The CHAIRMAN: Are there any questions? Preamble carried.

On Clause 1. *Repeal.*

Mr. OLSON: I would like to ask whether this company intends to purchase what has commonly been referred to as an existing gas field.

Mr. L. S. STADLER (*Vice President, Canadian-Montana Pipe Line Company*): We have nothing in mind about the purchase of an existing gas field. The idea is for exploration and the acquisition of drilling rights, initially at least, in southern Alberta.

Mr. OLSON: The acquisition of additional gas reserves would be for the purpose of additional facilities for your lines?

Mr. STADLER: If they were required we would apply to the appropriate bodies for export to Montana.

Mr. OLSON: Clause 1(c) states:

> —locate, purchase, lease, acquire by reservation, licence or otherwise, acquire and hold, develop and improve, sell, let or otherwise dispose of natural and artificial gas, oil and other hydrocarbons and related substances...

Is the main purpose of this to acquire further supplies for your pipe line, or is the intention of the company to go into the business of acquiring leases, doing exploratory work and developing gas fields as an enterprise quite apart from assuring supplies for your present gas line?

Mr. STADLER: Primarily the idea is for an enterprise to explore and find oil or gas. We would hope, working in southern Alberta, that at least the gas reserves that might be discovered could, after subsequent application to the proper Canadian authorities be available to our system.

Mr. KINDT: Your primary purpose is to conduct drilling operations in fields adjacent to your pipe line or in close proximity to your pipe line for the purpose of augmenting the supply of gas for export?

Mr. STADLER: That is not exactly the position. You will realize that there is a lot of land between the four mile section in south-western Alberta and the 18 mile section in southeastern Alberta. We are primarily interested in devoting funds we have accumulated over a period of years to the exploration of oil and gas in southern Alberta. That is our primary objective. We would hope, if gas were discovered, that we would be able to apply to the proper bodies in Canada to incorporate it into our system for use in Montana.

The number one objective is exploration for oil or gas.

Mr. NUGENT: Mr. Chairman, can the witness tell us if the national energy board has any objection to a pipe line company going into the exploration field? I am thinking in terms of possible pressures being brought to bear on the National Energy Board.

If the company carried out some exploration work and found great quantities of gas which the national energy board, or perhaps the Alberta conservation board felt should not be exported, the position will be that you would hold reserves which would only be available for export. Do they have any objection to the possibility of this being used as a form of pressure on them if you were to become dissatisfied with the present export permits?

Mr. STADLER: In the first place, sir, we look on the acquisition of gas reserves, if the program is successful, as being just gas reserves. The export of those reserves would have to be subject to the decisions of the proper authorities. We have no feeling that the establishment of gas reserves would dedicate them to a Montana market, for example.

Mr. NUGENT: I am just thinking how much pressure this might make possible on the board in the event of a renewal of application. Do you not see it as a means of improving your bargaining position with the national energy board?

Mr. STADLER: Frankly, no; I do not. In so far as the other part of your question is concerned, there has been some conversation at least with the national energy board staff and as far as I know they have not taken any position on this. They have considered it. They are aware of this private bill.

Mr. OLSON: At the present time I presume your company buys all its gas requirements from other companies in southern Alberta.

Mr. STADLER: We have some of our own production in southeastern Alberta.

Mr. OLSON: You have already acquired some gas reserves in southeastern Alberta?

Mr. STADLER: Yes, sir, that is right. We purchased reserves there in 1950.

Mr. OLSON: Would this have been exceeding your authority at that time? You are now coming to us and asking us for permission to locate and purchase these reserves.

Mr. STADLER: I think not. Perhaps you are aware of the history. We had an Alberta company which we had thought at the time would be adequate to meet the requirements for export. Subsequently, we learned on the advice of Canadian counsel that it was necessary to have a company chartered by parliament to hold the export permits, and the Canadian-Montana Pipe Line Company is that organization.

Mr. OLSON: I have one other question, Mr. Chairman.

Let us assume you are successful in acquiring leases and subsequently doing exploratory work and, in fact, putting up reserves. Would this leave some of your existing suppliers in a precarious position in respect of future sales from their gas fields?

Mr. STADLER: No, it would not.

Mr. KINDT: Is the requirement of a provincial government, that a certain amount of development on leases shall take place within a stipulated time, a factor in the request for this amendment in order that drilling may be started?

Mr. STADLER: No, sir, it is not. If this amendment were authorized, it would be entirely for new acquisitions.

Mr. KINDT: How, then, can your company hold the leases or rights which you now have for exploration? If I understood correctly, you now have certain rights for exploration of certain lands.

Mr. STADLER: This company does not have such rights.

Mr. KINDT: I am glad that point is clarified; I had understood you held such rights.

Mr. STADLER: No, this company is requesting the right to acquire lands for exploration purposes and for drilling. It has no leaseholdings.

Clause carried.

Title agreed to.

The CHAIRMAN: Shall I report the bill?

Mr. FOY: I move that the bill be reported.

Mr. LESSARD (*Saint-Henri*): I second the motion.

Motion agreed to.

The CHAIRMAN: The next bill we have to deal with is Bill No. S-47, respecting The Burrard Inlet Tunnel and Bridge Company. Mr. Davis is sponsor and Mr. Konst is the agent.

On the preamble.

Mr. KONST: Mr. Chairman, hon. members, this is a simple matter, relatively speaking. The company is coming to parliament and to this committee to ask for authority to wind up. Pursuant to the Companies Act and the Railway Act, the Winding Up Act of Canada does not apply to a railway company.

The Burrard Inlet and Railway Company is technically and legally a railway company. Therefore, it now having sold all its assets to Canadian National Railways, it now wishes to distribute its assets to its shareholders. The shareholders, with the exception of 25 shares, are four municipalities in the Vancouver area.

The application is basically a legal or technical one to give the company authority to wind up under the Winding Up Act of Canada.

Unless there are any particular questions, I think I may have given you sufficient information.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): You referred to the distribution of assets. What assets are there left?

Mr. KONST: The assets are all bonds and cash; there are no fixed assets and no tangible assets.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This is to be divided among the shareholding municipalities?

Mr. KONST: It is to be divided among the municipalities, yes. There are 8,025 shares, 8,000 of which are owned in varying numbers by the district of North Vancouver, the district of West Vancouver, the city of West Vancouver and the city of Vancouver. The other 25 shares are held by private parties.

Preamble carried.

Clause 1 carried.

Mr. LEBLANC: I move that the bill be carried.

Mr. NUGENT: I second the motion.

The CHAIRMAN: Motion agreed to.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

THURSDAY, FEBRUARY 25, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

The Honourable J. W. Pickersgill, Minister of Transport, Mr. J. R. Baldwin, Deputy Minister of Transport, Messrs, H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, all from the Department of Transport.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21717—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cooper
Cowan
Crossman
Crouse
Fisher
Foy
Godin
Granger
Green
Grégoire
Guay
Gundlock
Hahn
Howe (*Wellington-Huron*)
Irvine
Kennedy
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Macdonald
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Pugh
Rapp
Regan
Rhéaume
Rideout (*Mrs.*)
Rock
Southam
Stenson
Stewart
Tucker
Winch—60

(Quorum 12)

D. E. Levesque,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, February 18, 1965.

Ordered.—That the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

WEDNESDAY, February 24, 1965.

Ordered.—That the names of Messrs. Prittie and Stewart be substituted for those of Messrs. Barnett and McNulty on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

Leon-J. Raymond,
The Clerk of the House.

21717—1½

MINUTES OF PROCEEDINGS

THURSDAY, February 25, 1965.
(26)

The Standing Committee on Railways, Canals and Telegraph lines met this day at 10:00 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Addison, Armstrong, Berger, Cantelon, Cantin, Cowan, Crossman, Fay, Godin, Granger, Gundlock, Hahn, Kindt, Lachance, Laniel, Leblanc, Lloyd, Macaluso, Macdonald, MacEwan, Marcoux, Matte, Millar, Pascoe, Prittie, Rapp, Regan, Richard, Rock, Stenson, Stewart, Tucker and Winch (34).

Witnesses: The Honourable J. W. Pickersgill, Minister of Transport, Mr. J. R. Baldwin, Deputy Minister of Transport, Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, Department of Transport.

In attendance: Mr. Alastair MacDonald, Q.C., Ottawa; Mr. R. H. Weir, Northwest Line Elevators Association, Winnipeg, Manitoba; Mr. K. D. M. Spence, Commission Counsel, Canadian Pacific Railway, Ottawa; Mr. R. A. Bandeen, Canadian National Railways, Ottawa; Mr. J. J. Frawley, Province of Alberta; Mr. D. J. Blair and Mr. J. I. Guest, Province of Saskatchewan.

The Chairman read the Order of Reference regarding the Subject Matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railway Act, and to repeal the Canadian National—Canadian Pacific Act.

The Chairman also read a list of those who have made representations, and who were notified of the date that the Committee will begin its hearing.

The Honourable J. W. Pickersgill, Minister of Transport, made a statement clarifying the procedures.

Messrs. Darling and Cope were called upon and explained various sections of the Bill.

Mr. J. R. Baldwin, Deputy Minister of Transport, gave the names of those who made representations to the Department in regard to Bill C-120.

Mr. Cantelon suggested that arrangements should be made for top-priority in the printing of the Committee's evidence. The Clerk of the Committee was asked to attend to this matter.

At 11:20 a.m. the Committee adjourned to 3:30 p.m. this day.

D. E. Levesque,
Clerk of the Committee.

Note: The Committee did not meet in the afternoon due to business of the House.

EVIDENCE

THURSDAY, February 25, 1965.

The CHAIRMAN: Mrs. Rideout, gentlemen and Mr. Pickersgill, we now are on Bill No. C-120. The house ordered that the subject matter of Bill No. C-120, to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act be referred to the standing committee on railways, canals and telegraph lines. You will note the most important part of this is that it is the subject matter of this bill that is being referred to this committee this morning.

It was agreed that at this particular session we would hear officials of the Department of Transport give us a presentation on the subject matter of the bill. We have with us Mr. Baldwin, the deputy minister, Mr. Darling and Mr. Cope. I understand that Mr. Darling will make the presentation on behalf of the Department of Transport.

Now, gentlemen, I hope we will be able to follow some order. I would suggest that we hear the presentation of Mr. Darling, ask questions after the presentation has been made, and do it by clauses as will be explained by Mr. Darling.

I think the minister would like to say a few words.

Mr. J. W. PICKGERSGILL (*Minister of Transport*): First of all I would like to say how very much I appreciated the non-partisan way in which the house has approached this bill. Last summer it became apparent that we were not going to be able to make much progress during the summer and the autumn. However, an informal arrangement was implemented by which members of the committee were invited to meetings of a private character at which there was a great deal of exposition of the bill. I believe this was very helpful. Then we resumed the session last week and I was asked a question about the bill. I had privately canvassed the members of the other parties and I then, after further canvassing, made the suggestion that we might dispense with the debate on second reading and have the bill technically killed by an amendment by one of my colleagues and the subject-matter sent to this committee. As I explained in the house, the purpose would be to hear representations from members of the public about the bill; but, because of the fact that there was no debate on second reading, and therefore no general explanation of the bill, I think it would be almost meaningless to have the committee start hearing representations before they have an explanation in layman's language of what the government was proposing in this bill. It seems to me that this would be a tremendous help, not merely to the members of the committee and other members of parliament, but also to the public who are greatly interested in this bill, if we could have an exposition of the whole bill before there are any questions.

If there are no interruptions, I believe this morning we might be able to have a full exposition of the bill so that it will be available to anyone who wishes to have it. If this can be completed this morning, I would hope that the committee might be willing to have a meeting this afternoon over in the main building in the railway committee room—where we would be able to adjourn from time to time to vote on motions in committee of the whole house—at which members could ask questions of the officials for the purpose of elucidating any parts of the bill that were not understood fully.

In other words, what I am suggesting to the committee very respectfully is that we should endeavour to understand what the bill is before we go on to hear the views of other persons about it. Against that background we will have a better appreciation of what other witnesses may wish to say.

Since you do not have a bill before you, it does seem to me that the procedure which would be followed if we did have a bill would not make much sense in the deliberations of this committee; that is, attempt to modify the language in this ex-bill because this bill is not going back to the house in any way. What is going to happen, God willing, is that when the new session starts a new bill will be introduced. It would be a rather frustrating exercise, therefore, if we attempted to make amendments to the language of this bill. What we would like to have are ideas in respect of how it profitably might be changed. I believe it would be far better to leave the drafting problems to the experts because the government again will have to take the responsibility of bringing a bill before parliament at the next session.

I can assure members that in preparing the bill at that time we will take the fullest possible account of everything said by the members of the committee. These are just suggestions.

Mr. WINCH: Did the minister state that today we are not in any way on the principles as set forth in Bill No. C-120?

Mr. PICKERSGILL: No. The bill has been killed.

Mr. WINCH: I know that, but I am speaking of the principles.

Mr. PICKERSGILL: I imagine some of the witnesses may attack some of the principles in this bill. In fact, I would be very surprised if they did not. We want to hear that and we want to hear their arguments. In other words, as I said in the one speech I made in the House of Commons at the resolution stage before we had a bill, the government took the MacPherson report and had a look at it just as our predecessors had intended to do—and our predecessors had done a lot of work on it before we came into office. We took the MacPherson report and its recommendations in a certain area, and in the main we accepted them as a basis for a bill. However, as I mentioned we found, as a result of the expressions of public opinion, criticisms offered, and so on, that there were certain modifications which we would feel it desirable to make before we even introduced a bill at all. Now we have the opportunity of obtaining the advice of such witnesses as are ready to appear.

If we make the most of the questioning by the members of the witnesses who will appear and of the witnesses from the department who will be available today, I am very hopeful that we will see how this bill may be improved before it is introduced the next time.

I would like to say again that the attitude of the government is that although broadly we accept the principles laid down by the MacPherson Commission, we do not think that all wisdom resides in the Department of Transport or in the government in this matter, and we are anxious to have enacted by parliament the best possible legislation in the public interest. We are only too glad to have any suggestions in respect of improvements.

Mr. WINCH: Mr. Chairman, before the minister sits down may I ask, in view of his statement that we are not definitely considering the bill but only the principles of the bill, whether or not it is his hope as minister and the hope of the government that, as a result of discussions while this present session lasts, the result will be a recommendation which will lead to a national transportation policy? Am I correct in this or have I misunderstood the minister?

Mr. PICKERSGILL: Considering the length of time the present session likely is to last, I would think that would be rather difficult to say.

Mr. WINCH: Is that your motivating idea?

Mr. PICKERSGILL: I do not think that is a correct statement of what I had hoped to get from this. I had hoped that primarily we would not be concerned with the principles of the bill at all, but rather with the content of the subject matter and that we would try to obtain suggestions for improvements or modifications of what is in the present bill so that we could introduce a better bill at the next session. The intention was that at this session we at any rate would have heard some of the members of the public who wish to be heard concerning this bill, and it would not take quite so long, therefore, to deal with it at the next session.

Mr. PASCOE: The minister mentioned hearing some witnesses. Are all witnesses being advised or are certain ones being advised?

Mr. PICKERSGILL: That really is a question for the Chairman to answer, but so far as the department is concerned, I asked the department to advise anyone, who had expressed an interest about the bill, that the subject matter is being referred to the committee, and that so far as the department is concerned we were not going to urge the committee to compel any witness to appear. Further, we felt there were enough who were ready now, so that we could hear those who were ready and not attempt to push certain other witnesses who we know wish to be heard but who are not ready to be heard yet.

Mr. RAPP: There is one matter which is of concern to the grain growers out in the western provinces; that is, if a railway is to be abandoned, the grain elevators which are situated on the abandoned lines will not be able to accept grain, because under the Canada Grain Act any elevator that is not on the railway is not in a position to accept that grain.

The CHAIRMAN: Mr. Rapp, I would suggest that is exactly the type of question which might be raised after the presentation has been made of the subject matter of this bill. Therefore, at this time I would prefer that we go ahead with the presentation to be made by the officials of the Department of Transport. Then you might ask your questions.

As the minister stated, I would like to make it clear that although any interested witness will be welcome, we should not be expected to look around for witnesses. Those who have indicated their interest to the department have been communicated with and have been advised that these committee sittings start today, and will continue on Tuesday. Surely you do not expect the committee to look around for witnesses.

Mr. CANTELON: May we have a list of those with whom you have communicated so that if there are others whom we know are interested we might get in touch with them?

The CHAIRMAN: The committee itself has communicated with very few. I will give you the list.

A letter was sent to the Clerk of towns such as Calgary; Fort William; Morse, Saskatchewan; White River, Ontario; Brooks, Alberta; Chalk River, Ontario; Schreiber, Ontario; Moose Jaw, Saskatchewan; Dryden, Ontario; Brandon; the Communist party; H. S. Sales; and S. Jones, Secretary, London Railroad Workers Council, London, Ontario. Those are the only ones communicated with directly by the committee. However, the Department of Transport has been in communication with a great many others. I imagine these would include such as the Canadian Trucking Association, the C.N.R., the C.P.R., the grain elevator people, and so on.

Mr. PICKERSGILL: And the provincial governments.

Mr. CANTELON: May I direct your attention to the fact that I believe the government of Saskatchewan is very interested in this matter, and that the Freedman Commission has been studying this matter.

The CHAIRMAN: Their counsel, Mr. Blair, is sitting in the room now.

Mr. WINCH: I believe the minister made statements which are contradictory; that is, that Bill No. C-120 is not before us, and there will be a new bill at the next session. At the same time the minister stated that the evidence the committee now is to hear, under a certain understanding, has reference to the principles of the bill.

Mr. PICKERSGILL: To the subject matter of the bill.

Mr. WINCH: But we still refer to the bill.

Mr. PICKERSGILL: Oh, yes. I think the bill is the basic document.

Perhaps I should say this; I am not trying to escape my responsibility to parliament. This bill, before the amendment was made, was a government measure. The bill which will be introduced next session of parliament also will be a government measure. The government will have to take the full responsibility for that bill. In other words, I am not attempting to escape my responsibility as Minister of Transport and my colleagues are not trying to escape their responsibilities to parliament as a government. We know it is our duty to present the measure before parliament.

All I am saying is that we would welcome and consider—and this does not mean necessarily that we would act—all suggestions which might improve the bill which we would bring forward at the next session.

Mr. LLOYD: I think that in essence the minister has explained the machinery before us. We have a working paper reflected in this Bill No. C-120 and we are now asking the staff to identify the areas in which government action should be taken. Then, ultimately, this committee will have an opportunity to express itself in the future, I presume, in the form of a report.

Mr. PICKERSGILL: Mr. Chairman, before we call on Mr. Darling, may I just express again my apologies to the committee. I wished to be here for the opening and explain that it was my initiative that resulted in this being done in this manner. However, a meeting of cabinet is being held concurrently at which I ought to be present. I have heard Mr. Darling before. I hope you will not think I am disrespectful to the committee if I leave at this point.

Mr. WINCH: In view of the suggestion, which I think we all welcome, do you recommend that there be a report from this committee after hearing the witnesses and before this session ends?

Mr. PICKERSGILL: I think that will depend on how many witnesses we hear and how much progress we make.

Mr. WINCH: Do you anticipate a report from this committee before this session ends?

Mr. PICKERSGILL: I really think that would be speculation at the moment. Toward the end of next week I might be able to give an opinion on that.

The CHAIRMAN: We will now hear from Mr. Darling. Mr. Darling is the director of economic studies, Department of Transport.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): Thank you, Mr. Chairman and members of the committee. In attempting to give you a brief outline of the contents of a bill of this size, necessarily we are going to deal more or less with the bill in general, and possibly more information may be elicited as a result of questions asked afterwards.

I would like to take this bill section by section and very briefly give you the rationale of the bill as we see it. We do not proposed to give any of the detailed background or historical events leading up to the royal commission, and so on, more than is necessary to understand what is in the bill. We propose to deal with four principal clauses of the bill. After a brief background statement, then we will proceed to discuss the rate regulation sections. These are contained

in clause 19 which is found on pages 22 to 26 of the bill. Following that we will discuss the clauses dealing with the Crowsnest Pass grain rate and related subjects which are contained in clause 16 of the bill at pages 17 to 21.

It is our intention to divide up this presentation which I hope will not be too lengthy. Mr. Cope will deal with the subject of the passenger deficit subsidy and the principle of line rationalization.

Mr. WINCH: What page is that on?

Mr. DARLING: Clause 7 is in respect of passenger services and the branch line abandonment as well. Pages 5 to 14 refer to these two subjects. The passenger train subject begins on page 12 and extends to page 14.

There are a number of smaller items in the bill, but we will not cover those at this point since we are dealing with the general principles involved. I think we can sketch the immediate context in which this bill appeared, starting with the situation in 1959 at the end of succession of general rate increases.

These increases, with increasingly great severity, had been bearing on the various parts of the country. Large elements of competitive rates were not sustaining the same increase and were thrusting the burden on non-competitive areas. The situation created in 1959, when an increase of 17 per cent was authorized by the Board, lead to the enactment of the so-called load roll-back legislation in which the general increase was reduced to 10 per cent and the difference paid back to the railways under the Freight Rates Reduction Act.

At the same time the royal commission on transportation was set up under the subsequent chairmanship of Mr. Murdo MacPherson. In essence, the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates. In so doing, the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

In its report the commission laid particular emphasis on the point that the railways had difficulty in adjusting to recent developments in competition—such as highways, canals, airlines, and pipe lines, all of which were newer forms of transportation—and as a result of this the railways were being put in a difficult position.

The royal commission considered the problem of how to allow the railways to meet these new conditions. It found that they were burdened by a legacy of the past in the form of uneconomic rates and uneconomic services which had been imposed in part by statute, in part by regulation of the board, and in part voluntarily—it must be admitted—by the railways during an earlier period when these constituted no difficulty to their position but which had become increasingly burdensome with the increased severity of the competition.

Therefore, the royal commission also considered it to be its duty to find some means of placing the railroad industry back, as it were, on its own feet by a gradual phasing out of the subsidy program that had been adopted as an interim measure pending the review of the position of the railways in the modern economy.

The solution of the royal commission was twofold. First, they placed full reliance on the freedom of the market. They were impressed by the pervasiveness of competition. They felt this is extending and that even areas that recently were monopoly areas were feeling the force of competition. It was their view that competitive forces in the future would, in large part, constitute a system of control in the interest of the public.

They did admit, however, there might be occasions of what they chose to call an area of significant monopoly—this is the term used by the commission—which could require some measure of control for the future. They did feel that these areas were diminishing as the other forms of transportation extended their area of operation.

Therefore the commission looked upon the railway rate structure as sort of an autonomous unit and made a distinction between what they called the national transportation policy, which the policy in respect of rates and regulations, and what they called a national policy. The national policy might involve assistance to the movement of traffic. However, it was the view of the commission that where this is found to be good it should not distort the national transportation policy, and that it should be achieved without cost or burden to the carriers.

The general principles of the royal commission then are considerably different to what previously has been the case in respect of railway legislation. These principles were thought to be important enough that they should be included in clause 1 of the bill, which is the preamble. The general principles which motivated the royal commission in its recommendations are condensed. They include first, freedom to compete with other modes of transport; second, transportation companies should pay for any improvement made in their favour—this does not affect railways to the same degree as it does some other modes of transportation, but it is necessary for a rounded statement of the policy. Finally, transportation companies should receive compensation for any service they render by reason of the national policy. It is not up to the railways, in other words, to sustain the burden of assisted freight rates which may be made for purely valid reason, but which nevertheless should not be allowed to distort the picture as between the competing transportation agencies. This is by way of introduction.

Then we in turn to the general discussion of the rate regulations sections, which are contained in clause 19. As I have said, the royal commission found the railways hampered by a combination of uneconomical low rates and services that had been forced upon them by statute and regulation, and merely by the force of long continued practice which they themselves originally had initiated. Two solutions for relieving the railways from the burden of uneconomic operations are dealt with in those sections which have to do with grain rates, pasenger deficits and branch line abandonments.

The second solution it offered was a greater freedom in rate making for the railways. It did not deny the railways now, in many ways, possess considerable freedom, but it pointed out competitive conditions were changing very rapidly and, in fact, the railways were suffering from the holdover of regulation principles that had been adopted under an era of monopoly.

To quote the principal statement in this regard, volume II at page 63 of the report:

> Under competitive conditions a wholesale re-evaluation of policy becomes necessary. Traditional measures to protect against "discrimination" in freight rates aer in effect being set aside by competition. Preserving such measures on the statute books limits the power of railways properly to compete.

And, it continues.

Consistent with that statement the royal commission recommended a drastic simplification in the rate regulations of the railways. In essence, the commission's plan is in two parts. Bearing in mind it now regarded competition as an effective force of control, and to avoid the railways being subjected to control that was not imposed on other forms of transport, the commission simply recommended that there be two elements in the future regulations of railways, (1) a minimum rate, and (2) a maximum rate.

The minimum rate is necessary to prevent unfair competition with other modes of transport. In the course of the competitive struggle and the eagerness to obtain traffic it is possible rates might become reduced to an uneconomical level and, of course, this would be a real detriment to all forms of transport.

It seems to the commission this was a minimum prerequisite of future regulations. The minimum rate is to be based on the variable costs of any movement, the variable costs consisting of the costs which vary with the traffic, excluding the fixed costs which, by definition, would not vary with that traffic. This definition of variable costs, in itself, is subject to some variation because, as the commission pointed out, it depends on the length of time you are considering the rate to apply. If it is a single rate, to apply for a particular movement which is not going to be repeated, it will simply entail the extra costs of perhaps adding a car to a train already moving; on the other hand, if it is a rate which is intended to remain in effect and be more or less the effective rate for some time a lot of costs which otherwise would have been unchanged will now be varying since there will be a certain amount of equipment and so forth to be provided. So, in fact, depending on the length of time that is considered the minimum rate will change. In large part it will be the long term variable costs that might be anticipated to be in effect under this condition since most rates, in effect, are made to stick; they are not merely rates for the day only.

The commission then turned to the question of control in these areas where it still regarded the railways possessed significant monopoly, and it provided here a formula for a maximum rate that could be used by a shipper to ensure that he was being taken care of and not subject to detriment because of his position in a non-competitive area. The maximum rate is derived from the long term minimum rate; it consists of the minimum rate, the variable costs, in other words, plus 150 per cent of the variable costs. That is, if the variable costs were $1 on a specific route the maximum that would be derived in this formula would be $2.50; this is based on the costs of a carload of 30,000 pounds. The commission shows the weight of 30,000 pounds on the basis that if an area of monopoly is to be broken down eventually it would be by the penetration of truck transportation. It regarded commodities loading around 30,000 pounds within the area being handled by tractors and tractor-trailer combinations, and their intention of establishing this formula was to give such shippers the advantage of hypothetical truck competition in their area. Of course, the bill differs from those recommendations of the commission. It was the commission's view that any shipper could declare himself captive; in the commission's recommendation, this meant he would bind himself to ship his goods by rail for a period of one year at the maximum rate that might be established. So far as the commission's recommendation was concerned, this could apply to any shipper even if he were in the most competitive area of the country. It seemed to the commission that such an extension of the maximum rate, in fact, was justified by the fact the shipper must bind himself to ship at that rate for one year. As I have said, the bill departs from the recommendation of the commission at this point; it sets up what, in effect, is a means test for a captive shipper. A captive shipper, in the language of the bill, section 335, subsection (1), at page 22, must now, in effect, be:

> A shipper of goods for which in respect of those goods there is no alternative practicable route and service by a common carrier other than a rail carrier . . .

Of course, the reason for this departure is that railway rates, even today, despite these competitive conditions are not based exclusively on costs. The commission was very much impressed by the trend toward costs as the main element in rate making. It pointed out that under severe competitive conditions each agency of transportation naturally concentrates its attention on the minimum cost—that is, how low it can go—in meeting competition, and this is the prime element. However, there are other factors involved in that many commodities have different characteristics and move in different fashions; even today, under today's competitive conditions there are very wide variations in the level of rates between different commodities, even though they may be carried

under practically identical costs. It was the commission's view, reasonably supported by experience, that the increasing force of competition over a period of time will depress the rates more or less to a common level. But, this is not the case to date. There are still cases where there are rates in very competitive section's of the country where, in fact, the shipper might apply for the maximum rate and obtain a reduction. It is not known to what extent this exists. But, it is an unnecessary loss of railway revenues if a shipper, say between Montreal and Toronto, or on some other very competitive route, should be able to take advantage of what is, in fact, a provision that is provided for a shipper in a genuine monopoly situation. However, the bill does not exclude the possibility of any shipper in any position being captive, because that depends on the nature of his traffic and the type of transportation he needs. Even between the large cities in the east there may be types of traffic for which no alternative practical means of transportation exist, and they would then be eligible for the maximum rate.

As I have said, the basic reason for the departure was simply that it seemed unnecessary to permit any drain on railway revenues, no matter how small, by legislating a right to shippers to claim the maximum rate when, in fact, they did possess competitive means of transport. This is the system as it would work.

However, there is a further reference that should be made, namely to clause 9 on page 15. The commission was of the view that this maximum and minimum rate legislation by itself, would provide fully adequate safeguards for all cases that might come up and no recommendation was made with regard to any other recourse. However, consideration has been given to the fact that this is a new system and, as the minister himself pointed out, we in the transport department possess somewhat less than full wisdom on these points; no one can predict the variety of circumstances or the conditions that might arise, which would require some adjustment or consideration. Therefore, the intent of clause 9 in the bill is to provide just that recourse. The system is expected to operate more or less freely on its own, but, even if this is admitted, it is desirable to provide some means of recourse; and this constitutes that safeguard.

The only thing that could be added to the general rationale for this particular system is it does restore to the railways a considerable degree of freedom in rate making. But, is this desirable? What are the consequences likely to be? This will depend on the viewpoint. Of course, any real extension of freedom naturally involves an element of risk. There always is the possibility, however, of undesirable results; but, on the other hand, if complete weight is to be taken of possible bad consequences the only alternative, would be to go back to a rigid and very strict form of control to guard against such hypothetical dangers. This does not exist in other forms of transport and does not exist in industry generally, the assumption of the commission, which is embodied in the principles of the bill, is that it is not in itself potentially a source of any harm to the transportation industry.

Turn next to the section on grain rates, clause 16, pages 17 to 21; perhaps the rather complex wording of these sections requires a short explanation. We are dealing here with the question of grain rates in western Canada, popularly known as the Crowsnest pass grain rates. The original statutory provisions on these rates apply only to grain and certain types of grain products moving to Fort William. This level of rates was extended by action of the board in the case of Vancouver and, voluntarily, by the railways, in respect of Churchill, and by a number of subsequent amendments to the act, the latest of which is the amendment involving rapeseed in the list of grain products which would take this level of rates.

Mr. KINDT: To which clause are you referring?

Mr. DARLING: I am referring to clause 16, and it starts at the bottom of page 13 and proceeds to page 18. When the royal commission examined the question

of the compensatory nature of these rates which have not taken any of the increases that have occurred in the past post-war period and, in fact, have been in the statutes since 1925, it calculated what it considered the deficiency in variable costs to the railways for the carriage of grain traffic at those rates. It also considered that it was not sufficient for the railways to recover merely their variable costs in view of the fact that grain is an important element in the total traffic of the railways. Therefore, the commission also recommended that in the form of a subsidy there be a contribution to the respective constant costs of the Canadian National Railways and the Canadian Pacific Railway.

Mr. KINDT: I am sorry, Mr. Chairman, but I did not hear that because some of the members were talking. Would you mind repeating what you said, Mr. Darling.

The CHAIRMAN: Order, please.

Mr. DARLING: Mr. Chairman, as a result of the royal commission's investigation into the Crowsnest pass grain rates it found on the basis of its study of the costs and after much consideration and hearing of evidence from various sources there was a deficiency in the variable costs of hauling this grain in the year 1958, of $2 million in the case of the C.P.R. and $4 million in the case of the C.N.R. Of course, this would change from year to year depending on the size of the movement. As I have said, it also found that it would not be sufficient for the railways merely to recoup their variable costs on a movement as large as grain and that they should, in effect, receive some contribtuion toward the constant costs which they could not get now because of the fact that rates were fixed. It estimated the contribution of $9 million for the CPR and $7.3 million in the case of the C.N.R., and they felt this would represent a reasonable contribution to constant costs.

Then, returning to the wording of the bill, in order to collect and bring together all the rates that are now based at this level it was necessary to extend the net rather wide and to word it in a rather complicated fashion to make sure no small parts were left out. Different definitions have applied to the various ports of Vancouver, Fort William and Churchill, so you will see in clause 329, particularly clause (2), as it extends over on to page 19, the detail that is necessary to make sure that nothing escapes this net. In fact, we have here the whole parcel of rates equivalent to the statutory level in western Canada.

At the time of the royal commission the railways put in an application for an increase in the rates to the Atlantic ports, and these rates were known under the rather bizarre term of At-and-east rates, which concerned rates from the Bay Ports, Georgian bay, lake Huron, lake Ontario to Montreal and the lower St. Lawrence ports, and to the most important ports of Halifax and Saint John, and they had been used actually to move grain during the wintertime to the ports of Halifax and Saint John. These rates had been fixed many years ago. It was believed the rate from Port McNicoll and ports on Georgian bay was made competitive with the rate from Buffalo to New York, and this rate was extended to the Atlantic ports at a slight increase over the Montreal rate. So, the railways got a very small increment for hauling the traffic beyond Montreal to the Atlantic ports. When the railways asked for an increase in these rates the board, in a judgment, awarded them approximately one half of the increase for which they had applied. This increase has remained inoperative and the rates have been held under suspension successively for six months periods pending the implementation of this bill.

Under section 329 (*a*) of this bill at page 20 there is a provision that the rates in question shall remain fixed, so far as the shipper is concerned, at their present level, but a normal rate is to be paid to the railways. The reason for the extension of the subsidy to these rates is tied in with the fact that in the wintertime Halifax and Saint John are necessarily competitive with Vancouver, which already has a fixed rate, namely the Crowsnest pass rate today. So, an

increase in the rates to Halifax and Sain John in the winter could only have the effect of diverting traffic by other routes during that time. However, this is a consistent application of the principle stated by the commission, namely that if the railways are to assist in any national policy objective they should be compensated for it. Now the rates are the same but provision is made for the railways to receive normal return on these rates. This is found in subsection (3) of section 329 (*a*), line 34, at page 20, which provides that the railways may obtain a normal return on these rates regardless of the fact the shipper himself will be paying only the rate that heretofore always has been in effect. This rate will be one that will be negotiated between the Minister of Transport and the railway company; in other words, it will be the subject of determination and not simply a rate that is set by the railways.

I might say that this procedure has similar applications farther over in the bill, with reference to the setting of rates for postal traffic and national defence traffic. These have been subject to modification in this bill in line with the principles set by the commission, that the railways should operate as autonomous entities; they should not be imposed upon by departments of government or for reason of national policy and that the government, in fact, should deal with the railways very much as any other shipper does, and pay the railways a reasonable rate. This then is the principle that is applied in this section to the at-and-east grain rates. Therefore, the situation left by this clause on grain rates will be that the existing rates in western Canada to Fort Wililam and Churchill and the rates for export to Vancouver will remain the same as they have been, and the railways will be compensated for any difference in the variable costs. Naturally, in years when they have heavy movements and the variable costs may be less than the railways derived from it this will be deducted from the contribution to capital costs. Then, in a straight implementation of the commission's recommendation, at the end of five years the board of transport commissioners is authorized to re-examine the size of the capital contribution in the light of whatever conditions might obtain at that time.

Mr. Chairman, at this point I might ask Mr. Cope to carry on with the remaining two sections of the bill, passenger deficits and branch lines.

Mr. R. R. COPE (*Director of Railways and Highways Branch, Department of Transport*): Mr. Chairman, as Mr. Darling has stated, I will deal with two other burdens on the railways, burdens which in the past have been transferred by the railways to the users of freight services. These are the passenger services burden and the burden from operating uneconomic thin density branch lines. I will deal with the passenger services burden first because the financial burden is far the larger of the two.

The passenger services provisions of the bill are to be found in clause 7, pages 12 to 14.

Mr. LLOYD: Mr. Chairman, would the witness mind proceeding at the same pace as the earlier witness did so that we will be better able to take in what he is saying.

Mr. CANTELON: Mr. Cope, would you mind repeating the pages?

Mr. COPE: I am referring to pages 12 to 14. The royal commission found that passenger services were clearly one aspect of rail operations which, when taken as a whole, were uneconomic. In their analysis of railway operations for the year 1958 they found that the C.N.R. and C.P.R., together, were shouldering a deficit of some $78 million. This led the commission to pronounce that the burden of passenger traffic deficits is the most onerous of all those on the railways because of the legacy of tradition, social and national obligations. In this record they pointed to the development of the private automobile, the bus

lines, and the building throughout Canada of a network of paved highways, as having contributed towards the trend away from rail passenger operations to the other carriers. They stated that as a result there is little social justification and less economic justification for the permanent provision of rail passenger services as we know them today. In addition, they said that unless remedial action, attended by a change in public attitude, is introduced, a significant and uneconomic burden will continue to rest upon the users of railway freight services.

Well, based on this kind of analysis and this kind of finding, the royal commission suggested that the railways in general should be freed to remove uneconomical passenger services. They recognized there would be difficulty in removing passenger services from all areas of the country. Therefore, they suggested that the railways be freed to remove only those where there is a reasonable alternative highway network adjacent.

They recognized also that this could cause a disruption in transportation services in different sections of the country and that it could not be done too quickly. They suggested, therefore, that there be a program of adjustment established to extend over a five year period. During this period while the railways were operating uneconomic services prior to their eventual abandonment, it was recommended that the government provide an adjustment grant to meet the losses incurred by the railways during the period. Specifically, they suggested that an adjustment grant amounting for the two major railways to $186 million, be provided, payable in the amount of $62 million in the first year, reduced by 20 per cent in each subsequent year for the five year period. In addition, it was suggested, that after the five year period had expired, and where services were requested to be continued but which would be continued at a loss, that the government should bear the burden of such losses.

The bill provides that a majority of these recommendations be implemented. In addition, it provides for adjustment grants to railways other than the two major railways. There are some smaller railways in this country which might qualify for adjustment grants. The bill goes beyond the recommendations of the royal commission in this regard. The bill provides that it will be the responsibility of the Board of Transport Commissioners for Canada to determine the losses and also to determine whether or not the principal points along the railway route are served by an adequate highway system.

There is another point which should be made here; that is, that the subsidies provided by the bill are maximum amounts. It does not necessarily mean that the railways automatically will be given the full subsidy; indeed, the railways, by their own actions, may be able to eliminate much of their deficit. Some representation has been made to the effect that it would be an inconsistency to pay railways large subsidies when in the meantime by their own aggressive action they are able to eliminate much of the problem themselves. As I say, these are maximum amounts, and, only to the extent that there are losses, will the railways be paid. This is the larger of the two problems from a financial burden point of view.

The branch line problem has many far reaching aspects. In its analysis of rail operations the royal commission found there are many miles of branch lines in the country which appear to be uneconomic. It was estimated that there might be as many as 8,600 miles of uneconomic branch lines and that these probably would be in the order of 4,300 miles for each of the two railways. The reason these lines are uneconomic could be traced to either the fact that the traffic on the lines might have been lost to competing carriers, or that the traffic had never fully materialized following construction of the line.

The commission recommended that the railways be given the opportunity to rationalize their system by cutting out the uneconomic lines. They fully recognized that a period of adjustment would be needed, however, and suggested

a 15-year rationalization period. Here again they suggested that the financial burdens which accrue from operating these uneconomic lines, until such a time as they either become economic or abandoned, should not fall on the railways and, subsequently, on the users of the freight services. They suggested here that the government compensate the railways for losses incurred through maintenance and operation of uneconomic lines. Specifically, they recommended that a grant of $13 million annually be made to compensate the railways for these losses.

Mr. WINCH: For each or for both?

Mr. COPE: In total.

Now the bill accepts the principles of the royal commission, and goes a little bit beyond. It recognizes there are a great number of social and economic factors which have to be taken into account.

The bill provides there will be established a branch line rationalization authority which will look at the whole question of branch line applications and adjustments, and that they would look at this on a broader basis than perhaps would the Board of Transport Commissioners for Canada. The branch line rationalization authority would consist of three members appointed by the governor in council and would be responsible to the Minister of Agriculture. The function of the board of transport commissioners in this branch line process would be to verify the losses and advise the authority whether or not any particular line is uneconomic.

I think that here it might be useful to raise the process of consideration in respect of any branch line application. The process would begin back at the railways where the railways, after making studies and arriving at a determination as to which lines were uneconomic, presumably would choose among those which they would seek to eliminate and file with the authority an application to abandon the particular lines. The authority would have the board of transport commissioners verify the losses. If a line is found to be economic, the authority automatically would refuse the application. If the line is found to be uneconomic, the job of assessing when the line would be abandoned would fall upon the branch line rationalization authorities. Normally, they would set an abandonment date that would fall no earlier than 30 days, nor later than five years, following the date of application.

Now, in affixing the date for abandonment, the authority must take into account a great many things. I believe these are spelled out on page 7 of the bill in section 314C, subsections (2) (a) to (g), such as the alternative transportation facilities available or likely to be available to the area serviced by the line; the period of time required to adjust facilities dependent on the line to be abandoned; the probable effect of the abandonment on other rail lines or carriers; the possibility of maintaining the line or part of it by changing the method of operation; the feasibility of the line or part of it being operated by another railway; the probable future transportation needs of the area; and, in addition, the authority may recommend to the railway companies an exchange of branch lines, the giving or exchanging of operating or running rights, and the connecting of branch lines to other lines of the company or lines of another company. There are thus a great many facets to be examined by the authority in setting an abandonment date.

It has been suggested that the authority here might look at these branch line applications on a single application basis. It seems that if they are to satisfy the criteria spelled out on page 7, however, the responsibility to examine all the applications which have been filed in any particular area would be required before they could reach a judgment on any specific line. In addition, they must have regard to all matters which appear relevant. This would seem to suggest, if there are any other lines in the area which they

are considering, they would have to take these into account, and might have to seek opinion from the railways as to the future prospects of such lines. They would thus consider these applications on a very comprehensive basis.

Normally the abandonment date is to be set in this period of 30 days to five years. There is provision in the bill however, that a line may be kept in operation after the five year period if there is a transportation need; that is, if the transportation that is going to be available in the foreseeable future is deemed to be inadequate, or there is no practicable alternative, then the rationalization authority, with the approval of the Minister of Agriculture, may direct a stay of application. This means that any lines which qualify here can be kept in operation after the five year period; they can be kept in operation for as long as 15 years after the coming into effect of this bill.

In respect of lines which have been given a stay of application, it is provided in the bill that this will be reviewed at intervals of three years or less.

The governer in council, of course, has wide powers to reject any order of the authority. Normally, appeals to the governor in council would be considered on three bases. The Governor-in-Council would confirm dates; fix dates where a stay of application was in effect; or would provide for continued operation of the line. A line could be kept in operation indefinitely in this manner.

As I said before, the loss incurred by the railways during the period that uneconomic lines are kept in operation will be met by advances from the branch line rationalization fund up to $13 million annually for the 15 year period.

It is certainly not intended that every uneconomic line which the railways propose to abandon will be kept in operation for a long period by means of subsidies. On the other hand it is fully intended that when these uneconomic lines are considered they will be considered from a community point of view, from a railway point of view, and from a national interest point of view.

To keep uneconomic lines in operation, where they are not vitally required for one of these other reasons, is not only wasteful but is injurious to competing forms of transportation. It also gives rise to the burdens, as has been pointed out by the royal commission, which are transferred by the railways to the users of the freight services.

If I may sum up here, branch line applications go through quite a long screening process. This process begins back at the railways who decide which lines are economic and which are uneconomic. They then decide for which uneconomic lines they will file for abandonment. When these applications are received, they are reviewed by the board of transport commissioners to see whether or not the lines are uneconomic on the bases of the formulae of costs and so on, that the board of transport commissioners follow. If they are found to be uneconomic, the branch line rationalization authority, and in certain cases the Minister of Agriculture and the governor in council in succession give further consideration.

There is one final point which I might bring out here. It has been suggested that the rationalization authority should have power to compel the railways to adjust branch lines in respect of which they have not filed for abandonment; for example, it is suggested that they must consider all lines in the particular area of a branch line which has been filed for study, and should be given authority to compel the railways to make adjustments in a fashion they feel is required.

The bill does provide that the rationalization authority can give consideration to these other questions. The question of whether or not they should have the power to compel is a very serious matter indeed. They would seem now to be required to consider all of the relevant factors. Where they feel adjustments are required, they can bring these forward to the attention of the managers of the railways.

I think that is all I have to say at this point.

The CHAIRMAN: Thank you, Mr. Cope.

Gentlemen, it is only 11.20 a.m. It had been suggested that we should wait until this afternoon for questions, but now since we are here I imagine we might as well proceed. Mr. Baldwin, the deputy minister, would like to mention the names of parties who have communicated with him and who have made representations.

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): I thought it might be of interest to the committee to have some idea of the various interested groups or individuals who at one time or another in the past two or three years had made representation, either by letter or by brief, or who had met with us for discussion in respect of this legislation.

As you can imagine, the very important nature of this document and the subject matter is such that there has been a great deal of public interest, and accordingly a great deal of consultative procedure, both in the period before this bill came into print, and even subsequently with regard to the contents of the bill.

As I said, it might be helpful to the committee if you had some idea of the groups who presently have intimated they might have some comment. I would not attempt to give you a complete and comprehensive list, but I think I should mention the main groups.

Mr. WINCH: Will they be appearing before the committee?

Mr. BALDWIN: This would be up to the committee. I could not answer that particular question. Virtually all of the provinces—with possibly one exception—through various channels, both at ministerial and official level, have made representation to us or have discussed these matters with us. In some cases the discussions have been largely on matters of clarification intended to inform them of what the legislation intended. In most cases they have been actual discussions involving comments and suggestions back and forth. We have not had any discussion at the municipal level, although I believe some representations were made to this committee at the municipal level. The wheat pools in the west have had direct contact with us on several occasions, and the Northwest Line Elevator Company as well. The maritime transportation board, which is in effect the agency which represents the four Atlantic provinces has been our main channel of contact with the Atlantic provinces. Also, there has been communication from the Canadian Chamber of Commerce, the Canadian Manufacturer's Association, the Canadian Industrial Traffic League, and groups of business persons that are concerned. The Canadian Trucking Association has made representation to us, as well as the Railway Brotherhoods, the Dominion Marine Association, the Coal Operators Association, and quite a substantial number of individual companies which feel their interests could be affected one way or the other. These range from, let us say, the Steel Company of Canada to other similar large corporate entities. In addition, of course, there are the railways, not only the C.N.R. and the C.P.R., but also the Algoma Central and the Canadian and Gulf Terminal. All of them have been in at one point or another.

Mr. WINCH: In view of the fact that you have said that every province except one has been involved in this either directly or indirectly, and as all nine provinces have made representations to you on this most important matter, are you contemplating any changes as a result of their representations?

Mr. BALDWIN: Mr. Winch, their representations were taken into consideration both when the first legislation was drafted under the previous administration and they were taken into consideration again by the present administration and some changes were made in the legislation which has resulted in the present bill. The further representations they have made to us since are on other points and this is a matter for the minister to comment on and not myself.

Mr. KINDT: May I ask a question on the capital structure of the C.N.R.; is that dealt with in any way in this bill?

Mr. BALDWIN: In no way, sir.

Mr. WINCH: May I ask a question?

The CHAIRMAN: I hope we will proceed in order. Mr. Darling was the first witness and he dealt with the clauses covered by pages 22 to 26.

Mr. WINCH: I would just like to point out that I think most of us would like some time to consider our questions in view of the most important statements made. However, there are one or two questions we might ask immediately. How do you wish to proceed on that?

Mr. LLOYD: Mr. Chairman, Mr. Cantelon made some comments to me on the question of procedure.

Mr. CANTELON: I appreciate the minister's desire to obtain all the information possible, and I am sure we all wish to co-operate with him in seeing that the next bill is as good as possible.

I am thinking particularly of our experience in the committee on the Canada pension plan where we heard so many witnesses. The thoughts were very clearly delineated by the witnesses and the suggestions obtained were very worth while. These meetings ran over some period of time and every witness who wished to be heard had the opportunity to do so.

I believe my comment is of very great importance to the members of this committee. If we are going to give proper consideration to this matter, I feel it is very important that we should have the daily Minutes of Proceedings and Evidence very promptly. It is very difficult for me—and I am sure for many other members—to remember all that the witnesses say during a day. Consequently, we would like the opportunity of reviewing the Minutes of Proceedings and Evidence. Therefore, I would hope that we could get these in the same manner in which we get the *Hansard* the next morning. I do not know whether or not this is an impossibility, but I certainly hope it is not. I would hope that we do not have to wait as we did on the Canada pension plan. We still have not received the last minutes and the committee hearings concluded 12 or 13 days ago.

This is my suggestion. I would hope that this evidence can be obtained.

The CHAIRMAN: Mr. Cantelon, all interested parties and others are welcome to appear before the committee during the sittings of this committee. Those who have indicated their wish to do so have been communicated with.

In respect of the printing, you know the problem as well as I do.

Mr. CANTELON: I do.

Mr. LLOYD: I would like to support what I think Mr. Cantelon is emphasizing. We now have a general statement by way of explanation of the broad principles involved in the recommendations of the MacPherson Royal Commission; and also we have heard where the bill stands in relation to them at this stage. It seems to me that the sooner we can get that statement of explanation in our hands the better. If at all possible, I would like the committee to decide at this point, even if it is only for this meeting, that we have finished the sitting and will rise. Then we should advise the Clerk that we wish to have the evidence of this part first and then go on. This would permit immediate transcription and preparation of the Minutes of Proceedings and Evidence.

Mr. WINCH: Did I understand that you wish to adjourn now?

Mr. LLOYD: I suggested that we adjourn for a few minutes and then proceed. But, I think they should start printing up to this point.

The CHAIRMAN: I will ask the clerk if there is any possibility that this can be done.

I am advised that the earliest that these notes could be typed, revised and so on would be three or four hours, but that would not have the effect of putting the printed record or copies of the transcript into the hands of the members at that time.

Mr. LLOYD: Mr. Chairman, it is my suggestion that we do not hold up the printing bureau in commencing to print these proceedings. In other words, I do not think that we should wait until we complete this part of our proceedings before we send it to the printing bureau. I think we should take advantage of the adjournment at lunch to ensure that the printing is expedited.

The CHAIRMAN: Mr. Lloyd, there are three or four other committees sitting today.

Mr. ROCK: Mr. Chairman, it has not been my experience that we receive the printed reports from the bureau this quickly.

Mr. LLOYD: I am referring to the matter of delays in having the printed copies in our hands.

Mr. WINCH: Mr. Chairman, I realize that all members of the committee would like to have the printed report in their hands as soon as possible, but it is completely impossible to do it in one day. However, I imagine every member of the committee has made notes on the two most important presentations we had this morning and that they have sufficient notes upon which to put questions when we come back at 3.30 this afternoon. In the meantime, we can study and investigate what has been said this morning and we should be able to proceed with a good quetion period this afternoon.

We would hope that perhaps a little priority might be given by the Queen's printer in having the printed reports in our hands as soon as possible.

I would suggest that we adjourn at this time in order that we would have sufficient time to study our notes and arrange our questions.

The CHAIRMAN: Did you have a comment to make, Mr. Foy?

Mr. FOY: Mr. Chairman, the most important reason for having the printed reports is so that they will be available next Tuesday when witnesses will be appearing. I think we should have the printed reports by Monday at the latest in order that we may have a full day to study what has been said this morning.

Mr. PRITTIE: Mr. Chairman, I was not here when the proceedings commenced this morning; is my understanding correct that witnesses will be appearing next Tuesday?

The CHAIRMAN: This is up to the witnesses. As you know, these meetings are open. Those who have indicated their desire to attend have been advised that the meetings are starting today and will be continuing on Tuesday and Thursday of next week.

Mr. PRITTIE: How many witnesses are there?

The CHAIRMAN: I do not know; no one has replied.

Mr. PRITTIE: Are we not going to lay down a schedule in which we set out the time that witnesses will be appearing?

The CHAIRMAN: That could be done if they indicate their wish to come at a certain time. But, as I said, they have not indicated they will attend and they have not advised us since these meetings were commenced that they were coming or that they wished to attend at a certain time.

Mr. PRITTIE: When were they notified?

Mr. FOY: This may result in us not meeeting next Tuesday.

The CHAIRMAN: They were notified over a week ago.

Mr. MACDONALD: Mr. Chairman, when we met in committee on the Columbia river treaty we established a rule which required that witnesses who were appearing were to forward their brief a week in advance and then

confine their presentation to a period of one half hour, followed by questions. Of course, the advantage of that was the translation staff could have a preliminary run at the brief, which would form part of the proceedings, and in that way we also could cut down on the amount of oral evidence given. Also, by having the brief a week in advance, all members of the committee could become acquainted with the contents of the brief.

The CHAIRMAN: I would point out to you that in this case we are not actually considering a bill. Unofficially, I have been advised by some of the interested parties that although they will be watching these proceedings during this session they do not intend to make representations or present briefs until the bill is presented at the next session. So, I do not anticipate that there will be witnesses who will come prepared in the same manner they would if they were speaking to a bill. Since our deliberations in committee will be limited by the length of this session it is very difficult to make arrangements in advance and to advise witnesses that they would be heard on a certain date.

Mr. MACDONALD: It would appear to me that you are saying you have a group of people with no fixed viewpoints who are not sure what they are going to say, but these people may turn up and say something.

The CHAIRMAN: That is correct.

Mr. MACDONALD: That is a very strange way of proceeding.

The CHAIRMAN: But surely you understand that this is not a very regular procedure that we are following. We do not know the length of time we will be sitting during this session. We do not know whether or not we will be investigating the subject matter for the next two months; we may be sitting one week or even days.

Mr. WINCH: Mr. Chairman, if I can get a seconder I would move that this committee now adjourn in order that those who have made notes may be prepared to put questions at 3.30 this afternoon in the railway committee room.

Mr. LLOYD: Mr. Chairman, I will second the motion on the understanding that if a witness is going to appear and make a statement that we be supplied with mimeographed copies so we can follow the points he puts forward. Also, the staff will have these statements and this should help in overcoming the printing bureau's delay in getting the printed reports into the hands of members of the committee.

Motion agreed to.

Mr. CANTELON: Mr. Chairman, I hope that Mr. Winch does not think that we are so stupid that we could not make notes.

Mr. WINCH: Mr. Chairman, I am surprised at my hon. friend making such a suggestion. I imagine he has been making notes the same as we all have.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 13

TUESDAY, MARCH 2, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

The Honourable J. W. Pickersgill, Minister of Transport; Mr. J. R. Baldwin, Deputy Minister of Transport; Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch, all from the Department of Transport.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21819—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-(Cowichan-The Islands)*
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Foy
Godin
Granger
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Macdonald
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Pugh
Rapp
Regan
Rhéaume
Rideout (*Mrs.*)
Rock
Southam
Stenson
Stewart
Tucker
Watson (*Assiniboia*)
Winch—60

(Quorum 12)

D. E. Lévesque,
Clerk of the Committee.

ORDER OF REFERENCE

HOUSE OF COMMONS,
THURSDAY, February 25, 1965.

Ordered,—That the names of Messrs. Deachman, Horner (*Acadia*), Watson (*Assiniboia*) and Forbes be substituted for those of Messrs. Greene, Cooper, Kennedy, and Irvine on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

21819—1½

MINUTES OF PROCEEDINGS

TUESDAY, March 2, 1965.
(27)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9:40 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Armstrong, Balcer, Cantin, Cowan, Crossman, Crouse, Deachman, Foy, Godin, Granger, Hahn, Horner (*Acadia*), Lachance, Lloyd, Macdonald, Regan, Richard, Stewart, Winch (20).

In attendance: Mr. J. W. Channon, Adviser to the Minister of Agriculture; Mr. K. D. M. Spence, Q.C., Commission Counsel, Canadian Pacific Railway Company; Mr. J. J. Frawley, Province of Alberta; Mr. Craig S. Dickson, Maritimes Transportation Commission; Mr. Alastair MacDonald, Q.C.; Mr. G. J. Gorman, Ottawa; Mr. Arthur V. Mauro, Q.C., Counsel, Province of Manitoba; Mr. John F. Cunningham, Director of Distribution, Allied Chemical Canada Ltd., Montreal; Mr. D. G. Blair, Province of Saskatchewan; and a representative from the Canadian National Railways.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman informed the Committee of the correspondence received concerning presentation of briefs by non-government witnesses.

After discussion, the Committee resumed its examination of the witnesses from the Department of Transport.

The Chairman suggested that questioning of the witnesses should be of a general nature, since it is the subject-matter of the bill which has been referred to the Committee.

At 12:21 o'clock p.m., the examination of the witnesses still continuing, the Committee adjourned until 4:00 o'clock p.m. this day.

AFTERNOON SITTING

(28)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 4:20 p.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Addison, Berger, Cantin, Cowan, Crossman, Deachman, Forbes, Foy, Godin, Granger, Hahn, Howe (*Wellington-Huron*), Kindt, Lachance, Lloyd, Macaluso, MacEwan, Millar, Muir (*Lisgar*), Olson, Pascoe, Regan, Richard, Southam, Stewart, Watson (*Assiniboia*), Winch (28).

In attendance: Mr. K. D. M. Spence, Commission Counsel, Canadian Pacific Railway Company, Ottawa; and Mr. Alastair MacDonald, Q.C., Ottawa.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian

National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Minister was questioned.

Mr. Pickersgill suggested, and the Committee agreed, that the Chairman of the Board of Transport Commissioners be invited to appear as a witness before the Committee.

At 5:30 p.m., the Minister was excused and Mr. Baldwin and Mr. Cope were examined by the Committee.

At 5:50 p.m., the Committee adjourned and agreed to reconvene on Thursday, March 4, 1965 at 9:30 a.m. to hear the same witnesses from the Department of Transport, the Chairman of the Board of Transport Commissioners and Mr. Whittaker, Managing Director, the Coal Operators' Association of Western Canada.

Marcel Roussin,
Clerk of the Committee.
(pro tem)

EVIDENCE

TUESDAY, March 2, 1965.

The CHAIRMAN: Gentlemen, I will call the meeting to order.

On Friday last the committee secretary sent telegrams to a number of companies, firms, and interested parties asking them to wire back immediately whether they were interested in appearing before the committee. They were asked to signify immediately their intention and also to let us have briefs in advance in sufficient number in one language at least and if possible in French and English. To date we have received replies from a certain number. The Canada Gulf and Terminal Railway Company intends to present a brief. The Northwest Line Elevators Association undertakes to submit a brief and wishes to appear. The C.P.R. states it is not its intention to submit a brief to the committee at this stage of the proceedings. The Canadian Chamber of Commerce advises it will present a brief at the next session of parliament. The Branch Line Association of Manitoba will be presenting a brief to this committee. The Canadian National Railways do not plan to present a brief at this stage.

Those are the only replies we have had at this date. Of course, this is only Tuesday morning. I thought you should be advised of what is happening, and from these replies you will realize that at the present time not too many groups have signified their intention to appear before the committee.

Mr. MACDONALD: Mr. Chairman, in respect of the fact that the C.P.R., the Chamber of Commerce, and so on, have indicated they have no wish to make a presentation to us at this time, I would like to put on record as my personal view, that one of the purposes of having the subject matter considered at this time is that we could have considered and qualified comments in respect of the bill which is before us. I do not think it is very courteous of them to say that they are not interested in making a presentation at this time. If they desire to be of any assistance in getting this measure through, they might take this opportunity of appearing before us and letting us have their points of view.

Mr. WINCH: May I add my support to what has been said by Mr. Macdonald. It is my understanding, both from the statement made in the House of Commons by the minister and the statement he made before the committee at our last meeting, that the very purpose of this committee meeting is that with regard to some broad and general principles we should be able to hear the viewpoint especially of such organizations as the Canadian National Railways and the Canadian Pacific Railway. I think this is a most disturbing situation.

The CHAIRMAN: In fairness I should add, in relation to the C.P.R., that after stating they did not intend to submit a brief, they added the following:

> No doubt questions will arise in submissions of other parties during consideration of a new bill as to which information will be required from this company, but meanwhile with committee's permission I propose to attend sessions with a watching brief.

I do not know whether or not Mr. Spence has in mind that otherwise he intends to appear as a witness. Perhaps Mr. Spence might explain his telegram.

Mr. K. D. M. SPENCE, Q.C. (*Commission Counsel, Canadian Pacific Railway*): Mr. Chairman, we felt that we could be much more helpful at a later

date and by being here in the meantime I could take notes of any question which arises to which we might be able to give the answer. We really did not think we could be very helpful to the committee by presenting a brief at the outset.

The principles of the bill have been explained by the officials of the Department of Transport, and we are very anxious to give all the help we can to this committee. However, we feel we would be of more assistance if we presented a brief at a later date.

Mr. MACDONALD: Mr. Chairman, may I with respect say that the proposals, based upon the MacPherson report, have been embodied in the form of a legislative proposal here and this committee is meeting together for the purpose of considering whether those legislative proposals are adequate or whether there should be any other changes. It seems to me that if these bodies are not going to appear, that this is a waste of parliamentary time. I think we should be entitled to have the comments of those who are interested in this bill now when we have this proposal before us and not when it comes up at a later session when we will be very much engaged in other considerations.

Mr. REGAN: I would like to add my support to the statement of Mr. Macdonald. I think the railways and other interests might perhaps reserve their right to come back after we have heard other briefs, if they see fit to do so; but I think they should submit briefs at this stage which would give us their basic feelings in respect of the legislation. This would help us in our considerations when we get to the meat of the matter. This in no way would prevent them coming back later on and adding anything which might arise out of other presentations and the deliberations in the meantime. It certainly would be much more helpful to this committee, in my view, and would be much more courteous to us if the railways made their presentation at this time.

Mr. STEWART: I think the gentleman who spoke on behalf of the Canadian Pacific Railway made their position very clear. They do not have any comments on the document which is before us, and they do not have any questions which they would like to raise. It seems to me that when they say that we have to accept that as a statement given in good faith. Evidently the only interest they would have would be in giving information in respect of questions asked.

The CHAIRMAN: Mr. Baldwin may have something to say on this.

Mr. J. R. BALDWIN (*Deputy Minister, Department of Transport*): Mr. Chairman and members of the committee, it is a little difficult for me to know exactly what to say without sticking out my neck further than a bureaucrat perhaps should. However, we have sensed—and I speak quite frankly—in our own contacts with various groups some slight reservation about putting briefs in now. Everybody seems to feel they want to know what the other party is going to put in before they come forward themselves.

A very extensive series of wires, I understand, were sent out by the secretary of the committee. One of the key points here is the knowledge that certain provincial governments, it is understood, may wish to make representations. I think there is some reluctance on the part of a number of other groups to make their position known until they see what form these representations will take.

This is one of the problems we encountered when we tried to contact various groups over the last few days in an effort to find out informally what their intentions are. I think the role of certain provinces, which we understand may wish to bring forward views, perhaps is a point of some importance in this connection.

Mr. WINCH: May I ask whether the Canadian National Railways also has an observer present today?

Mr. SPENCE: I might explain, on behalf of the Canadian National Railways, that Mr. MacDougall was anxious to be here today. Mr. Bandine was here at the last meeting. Neither of these gentlemen is able to be here today and they have asked me if I would sit in for them as well.

The CHAIRMAN: Gentlemen, Mr. Baldwin mentioned the provinces, and I think the provinces certainly have a great interest in this bill. They also have received wires and have not come forward with a brief. All the large interests up until now have not signified any intention to appear. They may do so tomorrow or the day after. The time has been very short since Friday.

Mr. WINCH: Apparently there is not anything we can do about it. May I suggest that we follow the procedure outlined and ask questions on the statement which was given at the last meeting.

Mr. MACDONALD: Mr. Baldwin referred to the provinces. I think the provinces as well as the railways should get on with it too. The bill has been before the public since September 14 of last year; the general subject matter has been before the country for the last 75 years and the report of the royal commission has been around for a long time.

I realize we cannot dictate to another sovereign government. However, I think this committee has a right to expect courtesy. I think we should establish a cut-off date at which time we will hear no further representations. Rather than have a situation where we will be sitting around hoping that people will appear before us, if they are not going to come to discuss the subject matter, then I think the committee should set up a cut-off date and hear whoever is prepared to come before that date. I think we should make arrangements for the people to come forward at an early date.

Mr. FOY: Mr. Chairman, it was my understanding that the minister and the departmental officials considered, in view of the fact that this bill virtually had been killed and was going to be reintroduced, that we would hold these meetings at the present time so that the interested parties could submit briefs and make suggestions. In this manner, when a new bill is prepared, there would not be any surprise attack, so to speak, which we could be accused of, such as occurred in respect of the labour code bill. You will recall that interested parties said they did not even know it was coming up. One of the criticisms was, as they put it, they did not have time to defend themselves.

The understanding I have is that this is the reason we are meeting prematurely on this bill, so to speak. It is in an attempt to find out what the different representations are going to consist of and to see what we can do to develop the best possible bill in the interests of all. I fail to understand why we are not receiving the co-operation of interested parties.

The CHAIRMAN: Gentlemen, at the present time I suggest that we proceed with the business for this morning which is to direct questions to the brief which was presented by officials of the Department of Transport last week. Copies of the printed Minutes of Proceedings and Evidence have been sent to your offices.

Let us say that the time has been short since Friday and let us say, also, that we have two or three who have signified their intention to present briefs. During the week we will have time to decide what we should do. If there are no more briefs to be presented, I do not know what attitude the members will take in respect of future meetings of this committee.

Mr. WINCH: If that is agreeable, may I start by asking a question or two?

The CHAIRMAN: Yes.

Mr. WINCH: Mr. Chairman, as a result of the submission made by the minister and the officials of the Department of Transport at our last meeting, there are a number of questions I would like to ask. At the moment I will

restrict them to two because I know other members must also have questions they would like to ask.

May I put the first question in this way: It is my general feeling, as a result of the presentations made to us at the last meeting, that the proposals which will come forward at the next session—and which to a certain extent are before us now on Bill No. C-120—are based on the premise of having legislation whereby the two major railways will be in an economically sound position with regard to operating costs and terms. This, of course, deals with the matter of doing away with certain branch lines which are uneconomical and it deals with the matter of freight rates, passenger rates, and all federal government subsidies. If this is correct—and this is the way I have accepted the presentation after reading the transcript of evidence—my first question would be to Mr. Baldwin.

In the acceptance of this general principle was any consideration given to the grants to the railways of land, minerals, and so on, which are gifts by the Canadian people of their own resources? If I may, I would like to highlight this a little. I notice that so far as the Canadian Pacific Railway is concerned, there was granted to the Canadian Pacific Railway Company and other companies which now comprise the system, up until December 31 of 1963, cash subsidies and expenditures on construction in the amount of $106,280,334. Also, the federal government or provincial governments—mostly the federal government—made land grants to the C.P.R. alone of 43,962,546 acres. This includes some of the finest natural resource land, minerals and so on, in our country of Canada. I am sorry, sir, that I cannot give you the same figures in respect of the Canadian National Railways because when I went to the library to obtain this information I found that the same information with regard to moneys advanced as subsidies or land grants is not available as it is for the C.P.R.

I do not think we can forget, not the millions, but the hundreds of millions of dollars—and I speak from personal knowledge on this—which the railways have received from these grants of land, mineral resources, and so on. An example is Consolidated Mining and Smelting in respect of which the C.P.R. owns approximately 65 per cent. Was this phase of the railways situation considered when they speak about putting the railways on an economic operating basis?

Mr. Baldwin: I think the answer to your question is that this point was considered by the royal commission on transportation which, if my memory serves me correctly, came to the conclusion in making its recommendation that it should not base those recommendations on taking into account past contracts which may have been bestowed on, and physical benefit derived by, the C.P.R. This is not a new issue; it is one which has been before the board of transport commissioners with regard to various rate cases in past years.

In considering the economic viability of the railways, the royal commission came to the conclusion that the railways must be considered as a current operating entity. This has been the base upon which their recommendations were made and upon which the legislation was drafted.

Mr. WINCH: That may have been the viewpoint of the commission. What is the viewpoint of the government, or shall I say of your department? May I give one example? The Canadian Pacific Railway took over the Esquimalt and Nanaimo Railway on Vancouver Island and therefore took over the large grants—the original grants containing the finest timber in Canada and the finest, therefore, in British Columbia on Vancouver Island—and only last year they set up an outside corporation which in one year alone has sold $55 million worth—I think this is the figure—of land. Therefore, they have obtained a very high percentage of good will in MacMillan, Bloedel and Powell River

Ltd. Therefore, is it your contention, although this money now is being made from free grants, that this should not be taken into consideration in respect of the operation of the C.P.R.?

Mr. BALDWIN: It is not my purpose to offer opinions. I would merely state that both the report of the royal commission and the legislation were based upon the conclusion that railway economics should be related to the transportation aspects and not to the corporate aspect which might be involved.

Mr. WINCH: Even though there is this grant to the railroad and it is getting the profit from the grant, the official position is that that should be ignored?

Mr. BALDWIN: Sir, I am not here to give opinions one way or the other. I am here to answer questions regarding the basis of the legislation.

Mr. WINCH: I can understand, Mr. Chairman, therefore, that we are going to have a very interesting review when we come to that.

The CHAIRMAN: The proper time will be when we have a witness to whom such questions could be directed.

Mr. WINCH: I will ask one more question although I have many others. I imagine Mr. Spence is taking note of this on behalf of both railroads. This question has reference to the abandonment of lines. The information given to us at the last meeting was that the matter of abandonment of lines would go before a branch line rationalization authority, and if my memory is correct there would be three commissioners on this authority.

First, the abandonment of lines will go before the Department of Transport and therefore the Minister of Transport, as this is strictly a railway matter, and I presume that all evidence relative to the branch line—economic information so far as the railway is concerned and economic information so far as the people, industry, elevators, and so on, on the line are concerned—would be submitted to the board of transport commissioners and therefore to the Minister of Transport in the last analysis. On what basis is the new policy announced that the final decision will be made by the branch line rationalization authority and the minister of Agriculture?

Mr. BALDWIN: The whole procedure is changed under the proposed legislation. The Minister of Transport would not be involved in this because the board of transport commissioners operates as a quasi judicial autonomous entity, although there are appeals to the government. The rationalization authority would be responsible, if this legislation is passed, to the Minister of Agriculture because it was recognized that the main problem in relation to branch line abandonment centred in the prairie provinces and was closely related to the agricultural aspect of the provinces.

I do not know whether or not I need add anything more. The procedure is not quite as you have outlined it. An application would go to the new authority which, after having planned how the applications would be dealt with, would ascertain from the board of transport commissioners whether or not the particular branch line involved in the application was losing money. If it is, it would become eligible for subsidy.

Mr. WINCH: It is also stated that the abandonments could not be later than five years.

Mr. BALDWIN: The fact that the five year period is not the final terminal date. The intention is to provide for regular review in relation to the abandonments.

Mr. WINCH: Under the proposal is the final authority vested in the Minister of Agriculture, the Department of Transport, or the board of transport commissioners?

Mr. BALDWIN: The final authority in the sense of immediate action is vested in the authority which reports to the Minister of Agriculture. It is given power to make these decisions on its own, although there are powers of appeal to the government.

Mr. WINCH: So, the final authority in respect of the abandonment of branch lines will rest with the Minister of Agriculture?

Mr. BALDWIN: No; with the authority, with right of appeal to the government.

Mr. WINCH: To the government or to the board of transport commissioners?

Mr. BALDWIN: Not the board of transport commissioners. Their only role is to determine whether in fact money is being lost on a particular branch line operation. They do the costing.

Mr. WINCH: You now are completely separating the authority of the board of transport commissioners on the question of abandonment of this kind of branch line?

Mr. BALDWIN: That is correct.

The CHAIRMAN: Gentlemen, I think if we continue to proceed in this way we will be jumping from one place to another.

I listened to Mr. Winch at the beginning, because he was more or less talking about the background of the bill as stated by Mr. Darling in his remarks on Thursday. However, I think it would be much more useful if we should all decide to base our questions at the present time, following Mr. Darling's brief, on the background of the bill, then take up the rates clauses, then the branch lines, and so on. Otherwise we will be jumping from one group of clauses to another. If there are any more questions on the general background of the bill at the present time, we should have them.

Mr. REGAN: Mr. Darling, I would like to ask you a general question. Regarding the solutions that the bill provides and the problems that the royal commission was set up to study, I notice in your testimony on Thursday at page 749 you said in essence as follows:

> —the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates. In so doing, the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

I would put to you this question: Is it not a fact that the actual terms under which this commission was set up were such that it was actually put before the commission to find a solution to the railway problem and also to look into the possibility of removing or alleviating inequities in the freight rate structure? You do not mention the second aspect of it. Would you agree that this is one of the purposes of the bill, and if so, what is there in the bill which provides relief for the inequities which the commission found?

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): I think this is in the terms of reference, where there is a reference to inequities in the rate structure. The royal commission interpreted this as mainly inequities arising from the horizontal percentage increase.

Mr. REGAN: I am sorry, but I cannot hear you well.

Mr. DARLING: The royal commission by and large interpreted these terms of reference as inequities arising from the horizontal percentage increases which have taken place. These increases in effect would leave certain areas of the country, and other forms of traffic untouched. These were the major inequities.

Mr. REGAN: If these are inequities to the shipper, what is there in the bill which rectifies them or provides relief from any such inequities to the shipper?

Mr. DARLING: The royal commission first of all aimed to place the railways on a self-supporting basis by relieving them of uneconomic lines and of other burdens and allowing them certain freedom to reorganize their services in order to compete effectively. It was the royal commission's belief that the result would be that the railways would be able to get by without future general increases in rates. Naturally there would have to be increases in some rates, but nothing is fixed as to that. The idea was that of rationalizing and making railway operations more economic, so that the savings from this would in effect put the railways in a position where they could make out without any subsequent excessive increases in rates.

Mr. REGAN: You say in effect that all the bill undertakes to do is to prevent the occurrence of future inequities or growth of the present ones. But if it is merely going to prevent inequities as a result of doing away with uneconomic operations, or if it is only going to result in further horizontal increases not being necessary, would you not agree that it does nothing to overcome the present inequities and that it leaves them in the present situation?

Mr. DARLING: I do not know what specific inequities are referred to. I think that all I can say in a general way on the point that you mentioned is that it seems to be that this bill is dealing with the railways and not providing anything for the shipper.

Mr. REGAN: That would be about it.

Mr. DARLING: It seems to me that there is a very clearcut answer to it. The shippers were looked after beginning in 1959 with the rate freeze. Subsequently the railways required an increase in the rates. The government then stepped in and absorbed an increase in the rates and has continued to absorb it. So for the last three or four years the shippers have been benefiting to the extent of $70 million a year, a sum which they would otherwise have had to find in freight rates. It is hoped that the recommendations of the commission by making the railways more efficient will make it possible for them to recover their extra cost by more efficient services that the railways would be enabled to give to the shippers, and from which they have in fact been relieved for five or six years by these votes.

Mr. REGAN: When you say that our shippers have been relieved for five or six years, they have been relieved by over-all relief, and there has been nothing provided to assist the shippers who originally suffered from any inequity, or who by one commodity or another suffered from competition in a commodity by way of inequity. This relief since 1959 has merely been an across the board step to provide against anything further regarding rates. In other words, it does nothing to provide relief to any shipper who is at a disadvantage when compared to others. Is that an accurate statement?

Mr. DARLING: I do not know that I would say that there was an inequity existing. There may be people who from time to time have had reason to complain about their freight rates. But it seems to me that with six years of rate freeze, all these increases would have been across the board, and they would have had to in some manner, as with the previous increases on the rate structure, have been able to bear that increase, whether or not any of the freight structure has escaped this general increase.

Mr. REGAN: You will agree that you have mentioned that there is no relief in the bill against inequities suffered by the shippers?

Mr. BALDWIN: I think we must first define what is meant by inequity before we can answer the question of how inequity can be corrected. The decision of what constitutes an inequity at the present time is something which is vested in the board of transport commissioners. The philosophy of the new legislation changes the basic approach to this problem. In addition to trying to find a

method of relieving the railways from certain so-called burdens which place an economic handicap upon them, it advances the philosophy that a horizontal rate increase is bad in certain regions. The best solution is to try to let the rates find their appropriate level with competition as it becomes available, subject to a floor and a ceiling. But you will first have to define what is meant by inequity before we can answer what relief is afforded, if any.

Mr. WINCH: May I ask you why it is in many instances that it costs more to ship from Vancouver east than it does to ship from the east to Vancouver? If that is not an inequity, then what is it?

Mr. STEWART: Mr. Chairman, may we not proceed in a more orderly way?

The CHAIRMAN: Yes. Mr. Regan has the floor, and after that, Mr. Lloyd, Mr. Stewart, Mr. Hahn, and Mr. Horner.

Mr. REGAN: Just now you referred to the question of inequity which seems to affect one region as against another because of the consequence of the horizontal increase, and you recognize this as being an inequity. Now, speaking of this type of inequity, there is nothing in the bill which overcomes inequities which occur as a result of these horizontal increases. There is merely a provision which is aimed at—whether it will be effective or not—preventing an increase of these inequities in the future. Is that correct?

Mr. BALDWIN: The maximum rate will give substantial protection against certain types of rates which you think, if I understand you well, are inequitable. There will be a great deal of adjustment to the rate structure and to the value of the services and of the economic competitive conditions, which we hope would achieve some of these results. I think the philosophy—if I might refer to the basic philosophy of the royal commission—would be to say that if in addition to the special or original inequities which emerge out of this situation or continue, as the case may be, then other types of solution may be necessary on the part of the government to deal with them without placing an economic burden on the railways themselves.

You have, as I know you must, observed that the Maritime Freight Rates Act is preserved intact in relation to the new legislation, yet it is presumably a device intended to afford relief against inequity in regard to rates in the Atlantic provinces. From this numerous questions arise whether the current legislation or proposed legislation provides a solution to that particular inequity. That is why the royal commission recommended further studies, and that the government should launch further studies concerning that particular type of subject.

Mr. REGAN: I am sure we are all happy to hear that further legislation might be forthcoming to overcome this inequity. But we are interested in finding out what this bill does to discourage it. In reference to the Maritime Freight Rates Act, I note that it is not amended; but with the passage of this bill, will it not be further weakened?

Mr. BALDWIN: I do not believe so.

Mr. REGAN: You do not agree that it will. The Maritime Freight Rates Act proposes relief between maritime freight rates and those elsewhere in Canada. Surely you would agree that one problem with the Maritime Freight Rates Act is that it has been more difficult to maintain this relief because of the fact of competition in the central Canadian area. But you do not agree that the effectiveness of the Maritime Freight Rates Act has been lessened in recent years?

Mr. BALDWIN: If you mean by the horizontal rate increases, yes.

Mr. REGAN: But not because of the competitive situation with truckers which exists in central Canada, having regard to the maritimes?

Mr. BALDWIN: I think the answer I have given to that is that the trucking industry, as it has developed, has not been as great a factor in the maritime provinces, as rapidly, as it has been in central Canada.

Mr. COWAN: Have you ever seen the provincial roads in the maritimes?

Mr. REGAN: You would agree that there are a number of reasons such as the question of geography, the return of cargo, and other factors as well.

Mr. BALDWIN: Yes.

Mr. REGAN: If this bill frees the railways and puts more emphasis on competition, will this in itself not make the position attempted to be maintained by the Maritime Freight Rates Act less effective because, in areas where competition exists, the rates will continue downwards; whereas in areas where there is no competition, naturally the railways will wish to maximize their net income and will maintain the present rate or increase it?

Mr. BALDWIN: You will still have the protection now afforded by the Maritime Freight Rates Act. This is not changed by the present legislation. I mean with the passage of time the present trend in the maritime provinces will be to protect industry as a whole from becoming more of a competitive factor down there.

Mr. REGAN: Surely the competitive aspect of the trucking industry as against the railways in the maritimes is not a factor in rate making at the present time.

Mr. BALDWIN: Not as yet in a material way, but I expect that it will be. I was going to say that the best method of dealing with this situation is to state quite frankly that this legislation does not attempt to take care of the special position of the Atlantic provinces other than to preserve without change what they already have, in the knowledge that a series of special studies will be launched to deal with that particular problem.

Mr. REGAN: The only thing I am seeking to determine is that in the meantime, with the passage of this legislation, elsewhere it will have an effect, because of the competitive aspect of it in central Canada and that it will further lessen assistance to the maritime economy which is granted by the Maritime Freight Rates Assistance Act.

Mr. BALDWIN: We cannot agree to that. We do not believe that that is necessarily the case at all.

Mr. REGAN: If the railways are free further to lower their rates in competitive areas, they may do so in central Canada; whereas the Maritime Freight Rates Act maintains exactly the same situation which is there. We are in a position where the railways will have considerable freedom now to set competitive rates, and there is nothing in this bill to produce wholesale rate decreases. Various factors may be introduced into the competitive position by and large.

Mr. REGAN: Surely they will be in a position where they can lower the rates more freely than they can at the present time.

Mr. BALDWIN: They will have freedom to meet certain types of competition, but this is not to say that the whole level of competitive rates will be affected as a result of this legislation. I do not think this is so for a minute.

Mr. REGAN: Let me go further and ask you what control or regulation the government will exert over export or import rates in the new bill?

Mr. BALDWIN: This will be established by the railways.

Mr. REGAN: In the same manner?

Mr. BALDWIN: Yes, I would think so.

Mr. REGAN: In that event, when talking about export or import cargoes which originate in the hinterlands, or in the Ontario region, you are aware that the Maritime Freight Rates Act has no application to those cargoes. Moreover, with the Atlantic ports being further away from this hinterland, may

we not find that the rates to be established as a result of the new competitive aspect, or the new rates through Montreal and through New York to those ports, will endanger the business presently handled through the ports of Saint John and Halifax?

Mr. DARLING: I do not think the railways are wilfully going to alter a traffic pattern when they have a very great interest to preserve as much as possible the existing pattern, and even to increase export and import receipts. This is not something within the philosophy of the bill, but rather is something which is left to be worked out. Clause 9 provides for an examination of any of these problems which might arise. But the bill takes the attitude that so far as the actions of the railways and their customers and shippers are concerned, there is a determined rate making procedure, and they are emphatic about it. But, as we have had before, there may be cases which will arise where there are certain distortions introduced which are not explainable on economic grounds. There may be cases introduced which might be uneconomic when compared to national policy. But we are not attempting to take account of these cases in this bill.

The bill covers the question of a national transportation policy, and if there are cases which give rise to certain inequities existing, or which results from the working of this, and which are held to be contrary to national policy, the course of action is clear: that these should be provided for by some other means and that the carrier should be compensated for any deficiencies in the rates resulting therefrom. We are attempting to anticipate in advance what they may be.

Mr. REGAN: We feel it is our duty, when we have the opportunity to pinpoint exactly what the bill does, to see where these inequities exist, and to see what may happen to them. You imply that the railways would not object to maximizing their net income. Therefore, if there is substantial advantage to the railways in routing cargoes through Portland and New York, why would they not do so, since there is no longer a regulation to prevent them from doing so? And if they did this by statutory enactment, then is anyone empowered by this bill to do anything to prevent them from doing it?

Mr. DARLING: If the railways have a fair return on the rates in question now, there is no reason why they would want this traffic to be diverted via Portland and New York.

Mr. REGAN: Unless they could get a better return by doing so.

Mr. DARLING: If they are now making returns on their lines, there is no reason why they should divert traffic.

Mr. REGAN: Do you think they would make more money by diverting it to these other lines?

Mr. DARLING: No, but I do not know this is a fact.

Mr. BALDWIN: As a hypothetical answer, why should they divert, if they are making sufficient revenue under the present set up?

Mr. REGAN: To come back to this question, since you do not know if they are or not, whether they might think it better to go via Portland or New York, still, if that should be the case, there is nothing in this bill to prevent them doing it, and no one is empowered to stop them from doing it.

Mr. DARLING: Not in the first instance. There is, of course, the natural self interest of the railways in this matter. This course of action is available to them today in a sense. Traffic could be so routed even under the existing system. You are aware of the fact that a lot of these port rates are tied together in a general system in the Altantic area.

Mr. REGAN: I know that. But you are doing away with this policy.

Mr. DARLING: No. This is something which is established by the railways themselves, and we are not interfering with it. I do not know why it would be in our interest to interfere with it.

Mr. REGAN: But if problems like this do arise, the time to meet them is at this time rather than attempting to build into the act a number of clauses which are against hypothetical movements which may or may not take place.

Would it not be better to include in the act some protection, or body, or person who would have the power to veto or bar a regulation in railway policy to do these things, if they so chose to do them?

Mr. DARLING: This would be contrary to the basis of the act, the aim of which is to permit the railways to carry on their business much as other businesses. As I said before, what the act does is provide, in clause 9, for a review of these matters. Problems may arise in the working out of this and, because of national policies, it may be felt that certain actions should be taken. However, unless this is done, the way it is in the act it will be done wholly at the expense of the railways. There simply will be an order made. This is the very point that the commission felt was most important; that is, that we should avoid mixing up the national transportation policy with the national policy.

Mr. BALDWIN: I am not a very good expert on rates, as you probably will find out, but it is my understanding that the type of situation you have described has arisen because of railway action and decision they have taken themselves and not because of any particular governmental recommendation. They can change it now if they want to.

The point with which I gather you are concerned is in respect of the right to correct this if some inequity does arise. My own problem is how to define inequity. Sometimes it is easy to define and sometimes it is very difficult. We still realize there may be occasions where something might appear to be against the public interest. Perhaps that is a better phrase than inequity—I do not know.

At any rate, we did recognize this. We attempted to cope with this in clause 9 in the bill which provides for an inquiry. This is one of the points which has been drawn to our attention in a number of representations, in which other points have been raised, and which the minister has agreed to review further. In a case where inequity—or whatever you may call it—does appear to exist, a right of review should exist and corrective action should be taken. Clause 9 was intended to deal with this problem. The minister is reviewing this clause further to see whether, in the government's opinion, it is adequate or whether it needs to be adjusted.

Mr. REGAN: I think it is good to have this discussion because some of us perhaps may feel too much freedom is given to the railways in these matters throughout the whole bill. You find that the power of the branch line rationalization authority is limited to recommending that one railway should give running right to another railway, or that they should exchange lines in the case of one company's branch line abandonment, and so on; but this rationalization authority can do nothing more than recommend.

The CHAIRMAN: Mr. Regan, I suggested—and we have followed the procedure up until now—that we proceed in an orderly manner. I understand that until now you have been speaking on the background of the bill and in particular rates. I would like you and the other members of the committee to realize that I do not like to jump from rates to branch lines, and so on, at the present time. I thought we would limit our questioning at this time to the background of the bill.

Mr. REGAN: That is fine. I was merely using an example of the philosophy of the bill of not having a power to decide these matters. I will allow someone else to take the floor now and I will return to this later.

Mr. LLOYD: Mr. Chairman, I will try to get back to what I think is the fundamental question of policy which is before us. This is contained in observations both in the evidence given by Mr. Darling and also in the explanatory notes of clause 1 of the bill. If I may get right back to basic things in order to set the stage for two or three questions I would like to put, may I refer to these statements. The first statement is in the explanatory note to clause 1 at the end of the first paragraph:

> —all of which recommendations were made within the context of and premised upon a national transportation policy which would alter the traditional functions of the Board of Transport Commissioners for Canada and the rate-making principles followed heretofore.

The clause makes a general allusion to a change. Then on page 752 of the Minutes of Proceedings and Evidence No. 12 of Thursday, February 25, in the third paragraph, we find this statement:

> The only thing that could be added to the general rationale for this particular system is it does restore to the railways a considerable degree of freedom in rate making.

Then two questions are presented:

> But, is this desirable? What are the consequences likely to be? This will depend on the viewpoint.

From these two observations I think it might be appropriate at this stage to concern ourselves with what has been the past degree of government control over rate-making policies in respect of railways and the movement of goods domestically as well as internationally. I think it might be wise for us to examine what degree of control we are giving up. Are we giving up too much? How far did the Board of Transport Commissioners for Canada go in the regulation of rates; how effective was this control; were they well staffed, for example? Did they obtain all kinds of comprehensive information that would permit them to operate from day to day effectively in their function of rate making?

Mr. DARLING: I might answer that by pointing out that in respect of the clauses of the bill dealing with sections 317 onward, starting at page 15, the sections of the present act which are being withdrawn are shown. For example, there is a liberalization in the publication of tariffs; the time in advance of publication is reduced; and, in some cases, the right of the boards who suspend tariffs is withdrawn; the right of the board to prescribe different forms of tariffs—class rates, and such like—is removed. It now is left to the railways in their own business to make such rates.

Mr. REGAN: Heretofore rates were prescribed by the board.

Mr. DARLING: The act prescribes that the railways should have class rates, that there should be commodity rates, and that there should be competitive rates.

By and large the class rates were determined as a result of hearings by the board. In fact, the most recent class rate scale was adopted in the 1950's as a result of the equalization. This was prescribed by the board.

Mr. LLOYD: Did the royal commission have any observation to make with reference to the adequacy of the staff of the Board of Transport Commissioners for Canada to pursue their responsibility; were they adequately staffed up until now to carry out this function?

Mr. DARLING: I would assume so. Bear in mind, however, that there of course are now a great many rates with which the board is not directly concerned in the matter of competitive rates. I am not aware that there is any

delay in the board's calendar in hearing objections. They seem to be adequately staffed in this regard to deal with it.

Mr. LLOYD: What kind of statistical information, financial information, and cost information will be required to be filed by the railways with some agency of government, and what agency would it be?

Mr. DARLING: There will be very complete cost information that will be required and it will have to be filed with the board. This is incidental to the new obligation on the board to provide that all rates be compensatory. This is not a new obligation; it merely is underlined and expressed in different terms.

Mr. LLOYD: The reason I asked the question is, I do not see how you can effectively protect the public interest in any area of Canada without a continually comprehensive reporting of what is called the variable costs and the present financial operations of the two railways.

Mr. DARLING: This certainly is provided in the bill. In subsection (3) on page 23 it gives the factors that the board shall take into account in costs. The board's duty in respect of costs is contained on page 32, section 387B, and also 387A. These are spelled out in considerable detail. There is no doubt that the board has a continuing and positive obligation to inform itself in respect of the compensatory nature of the costs. With reference to the other aspect of its work, it will need to know costs very accurately with regard to the branch line abandonment and with regard to the passenger deficit.

Mr. LLOYD: Does this clause provide for the board's inquiry into and requests for reports in respect of all these statistics in order to make a comprehensive appraisal of the railways operation and rate making which heretofore has been subject to supervision by the board?

Mr. BALDWIN: I think I might say that the responsibility for costing for various reasons that will arise will mean that the board will substantially have to increase its costing and number of statements.

Mr. LLOYD: I am glad this observation is made. I think that sometimes in looking at the clauses in a bill one really does not get the picture of how things will function in reality after the bill is passed. It would seem to me that if the inquiries are going to move with dispatch there must be a flow of comprehensive information quickly, because otherwise you will have these inquiries going on like a royal commission for two or three years and by the time the report is out the information is outdated and no longer effective for your purpose.

I am satisfied to let this go with one final observation. You do fix the right of the railways to determine rates at a maximum of 150 per cent of what is called variable costs. Now, this kind of activity on the part of the railways, I presume, will be under constant observation by the board, if they are going to expand their staff and obtain the statistical and financial information they need to do this.

Mr. DARLING: They will have to have a very comprehensive cost section.

Mr. LLOYD: If Mr. Darling can do so, I would like him to give the committee some general justification for the choice of 150 per cent. Why is it not 100 per cent, 75 per cent or 200 per cent?

Mr. DARLING: Mr. Chairman, I really am being asked to make a short speech here, I believe. This is one of the most complex sides to the bill. I can understand the interest of members in the background that has gone into this.

The CHAIRMAN: Do you feel that this is the time we should go into such a specific question?

Mr. LLOYD: Perhaps not at the moment.

The CHAIRMAN: We can come to this when we come to some specific problem. At the present time we are dealing with the background of the bill.

Mr. LLOYD: I think this is something we might ask Mr. Darling to do at some time.

Mr. DARLING: I certainly am prepared to do this at whatever time the Chairman wishes.

Mr. STEWART: Mr. Chairman, I would like to return to the point which Mr. Regan raised. In his testimony before the committee last week at page 749 Mr. Darling referred to the royal commission report and the document now before us. He referred to a succession of general rate increases and then went on to say:

> These increases, with increasingly great severity, had been bearing on the various parts of the country. Large elements of competitive rates were not sustaining the same increase and were thrusting the burden on non-competitive areas.

Now, in the following paragraph he says, in essence, that the problem of that royal commission was to find some answer or solution to the periodic and successive horizontal increases in freight rates.

I assume, Mr. Chairman, that it was this situation which prompted the appointment of the commission to which Mr. Regan was referring when he used the term "inequity". Is the document now before us, which presumably will become a bill at the next session, an attempt to deal with that specific problem which Mr. Darling suggested was the problem sent to the commissioners, or is this document intended to be a solution to another matter referred to by Mr. Darling when he goes on to say:

> —the commission was to consider the setting up of a system that would make for a healthy railroad system in Canada.

Mr. DARLING: Mr. Chairman, I do not think these are separate issues. In dealing with the problem of how to avoid the impact of general increases, the commission saw the solution in a healthy transportation system which, in effect, was able continually to reduce its costs and absorb the increases in cost by greater productivity. It would seem to me the first question was the problem of the system and the solution was in fact the setting up of a healthy transportation system, freeing it from the side issues where it more or less had been an instrument of national policy and carried a burden upon it. The commission made the provision for the transferring of the existing subsidies in the specific field where they would apply directly; some would be phased out and others would be continued for reasons of national policy.

Mr. STEWART: Mr. Chairman, may I ask Mr. Darling whether he is convinced that the scheme or legislation here before us, which presumably is designed to produce a healthy railway system in Canada, is one that will meet the problem which prompted the establishment of the royal commission on transportation, as he, himself, has summarized these problems at page 749?

Mr. DARLING: I think the answer is yes. This largely is the result to be anticipated from the enactment of the bill. However, as I mentioned before, the bill does not provide for a continuing freeze. It does of course provide for a five year period in which certain rates will not be subject to the maximum if they are not increased. However, certainly the expectation is that as a result of the different orientation which the industry will have, the need for this type of increase gradually will disappear. Railways in fact will meet increases as they require them on certain types of rates, and so on.

Mr. STEWART: In the first volume of the report of the royal commission at page 11 you will find this passage:

> The railways' status as an instrument of national policy, which had proved to be no encumbrance during the monopolistic period of transportation, was now turning out to be an albatross around their neck —a burden which certainly affected the degree to which the railways could adjust successfully to the new environment in which they were operating.

Let us assume the commissioners were correct in making this statement; I would like to ask what aspect of national policy is being abandoned in this scheme in this legislation so that the railways are to be freed from this albatross? What aspects of national policy are being abandoned?

Mr. DARLING: They are not being abandoned entirely. There is the policy in respect of statutory grain rates. The railways now are to be compensated for this. Therefore, this means they will not be required to maintain these rates at that level with their own resources; they will be supplemented by the subsidy provision for the grain rates.

Mr. BALDWIN: May I add that there are two aspects; one is that in general the legislation does not abandon anything; it adds to it by introducing new features of national policy, and perhaps, a most important feature is the idea that where the government feels as a matter of national policy, as distinct from transportation policy, that certain things should be done, it may require that these things be done which may not be economic. If they are uneconomic, the railways should be paid for the uneconomic portion of that by the taxpayers. You might describe that as a new aspect, although we think it really is an extension of things which already have developed. To the extent it is abandonment I would prefer to describe it as a variation in the approach to the rate making function.

Mr. STEWART: Along with the suggestion made earlier by Mr. Lloyd that Mr. Darling prepare a statement later to be read into the record, may I suggest on this particular point that Mr. Darling or Mr. Baldwin might do precisely the same thing. I think it would be most useful to us to have on the record an expanded statement of what Mr. Baldwin has now said.

May I ask one final queston. Much of this ground already has been covered by Mr. Regan. How is it envisaged that this scheme of regulation will affect the actual freight rates in the Atlantic area, specifically the maritime provinces? What do you anticipate will be the rate changes, if any? This presumably is a reasonable question?

Mr. DARLING: I do not think there would be any radical change in such rates. The competitive factor in the maritime always is increasing and it will continue to be a factor.

Mr. STEWART: When you talk about the competitive factor there, would you not have to distinguish between the competition within these provinces and competition in traffic moving between these provinces and Quebec and Ontario? Would you say in relation to both parts of this that competition is increasing at such a rate that it would make the provisions of this proposed legislation reliable as a basis for a freight rate structure?

Mr. DARLING: Yes. I think this would be so. Competition is becoming more pervasive throughout the area, and on the longer distance as well.

Mr. STEWART: What evidence do you have of that?

Mr. DARLING: Well, there is the growth in truck transportation.

Mr. STEWART: Have studies been made of this?

Mr. DARLING: I am not aware of any specific work. We might have some data that we could prepare. I have here the waybill analysis for 1963.

Mr. STEWART: Mr. Chairman, again might I suggest the same procedure in relation to this. I would like to have a paper at a later time prepared on this so that it might be printed in the record and not necessarily read into the record.

The CHAIRMAN: That is a very good idea.

Mr. HAHN: I would like to follow up the point Mr. Stewart brought up. I think it would be very helpful to all of us if we have some fairly specific data so that we can see the impact of this bill on the rate structure. I believe many of us, like myself, really are not familiar with the rates which apply. Therefore, I wonder whether it would be possible to have this type of information provided, taking Toronto or Montreal as a starting point, giving the existing freight rates from either of those two points, let us say to Vancouver and to Halifax; that is, the rates of any competitive carriers that would be available on those routes as things stand now, and also rates that could be charged by the railroads if this bill were passed. In other words, I would like to know the maximum rate that could be charged by the railroads if this bill were passed.

Mr. DARLING: I do not believe the information here would be of too great help to the committee. Freight rates exist in enormous numbers and in almost equally great variety. I do not think anyone can offer a statement saying what the rates would be after the bill is passed. We are not prescribing rates. This would depend on the actual situations. The whole essence of the bill is that the rates will be determined by the railways and the shippers. No one will be in a position to predict.

Mr. STEWART: I think the problem is that in this bill we are doing two things; we presumably are allowing the railways to operate more competitively, and on the other hand we are going to have an effect on the rates that shippers have to pay shipping from two points. Now, if the bill allows the railways under the maximum provision to raise rates to a point where they start to impinge on our national policy and we have to throw a subsidy in to provide a new complete transportation between two points, I think we should be aware of this. In other words, what are we actually doing with this bill; what is the actual impact going to be in respect of freight rates? I think this is the crux of the bill.

Mr. DARLING: I think the major impact would be in those areas where competition is taking its newest and most intense forms. It seems to me that this is where freedom is now largely lacking. There is of course at present a very great freedom for the railways within certain areas to make rates, whether they be competitive rates, or agreed charges. These powers will continue to exist and operate. It is in other areas where possibilities are seen for the railways to improve their position. These are in areas where there are special movements, special equipment, special volumes and quantities, and specialized means of transport. These will be the areas to be affected and where it will immediately make the biggest difference between the passage of the bill and its not being passed. I am not able to to say how far this will go.

Mr. BALDWIN: I wonder if it would help, following the questions you are developing, Mr. Hahn, if we should prepare one type of statement. As Mr. Darling said, we cannot explain what the rates will be because they will be subject to competition, except where there is no competition. That is a key point perhaps, because that is where your maximum rate formula should come in. It is not easy to say what the maximum rate formula would mean in any way because of any one line or any one commodity. This would be based on a pretty detailed cost examination by the board of transport commissioners, but it might be that we could prepare something in the way of a more detailed statement of how that formula is intended to work, having regard to what Mr. Stewart and Mr. Lloyd had in mind.

Mr. HAHN: I also am trying to find out in what way we now have a regulated system of rates.

Mr. BALDWIN: It is a partially regulated system, yes.

Mr. HAHN: There are some areas in which there are competitive factors because of other means of transportation; and by taking the rates off, competition will come into play. The rate that the railway can charge may not be the rate that they do charge. They may be forced to go below the maximum; and there will be areas where competition does not come into play. In this area the railways presumably will be going to their maximum rates. What I am trying to find out is if there are areas where, by going to their maximum rates, they will be upping the rates above the rates which now exist.

Mr. BALDWIN: I do not think they will necessarily, in such areas, be going to their maximum rates. I think the way the legislation would work would be that if someone feels he is being charged too much, then the railway legislation provides a method by which he can appeal and get a so-called maximum rate passed under a specific formula. But it does not necessarily mean that in this area the railways will be going up to the so-called maximum rate. This is a protective device, if you like, to ensure that someone who feels that he may not be getting fair treatment will know there is a formula to protect him. It will give him a maximum rate, but I do not think he can assume that this is the rate which will be charged by the railways in non-competitive areas. They may not go up to that at all.

Mr. HAHN: Is there any way that we can get what I am trying to get at, that is, the impact of this legislation upon freight rates? Would it actually cut out the freight rates? What could happen in the legislation to freight rates in non-competitive areas?

Mr. BALDWIN: I would like to think about this. It may be that we can work out some examples to give you an answer in terms of principle and philosophy.

Mr. HAHN: What I am getting at is this: if the railways do go to their maximum rates, if you decide to apply them in some non-competitive areas, would the maximum rate which the railways could charge be double or treble what they may now charge under the regulations? Because, if this were possible, it could have a serious impact on certain parts of the country.

Mr. COPE: Yes. I think it might very well be that the railways could institute a maximum rate; or it might conceivably be that the rate would be coming down.

Mr. HAHN: I think there is a different problem. The information I am trying to get could be left to Mr. Darling, to see if they could come back with information which would answer this problem.

The CHAIRMAN: Now, Mr. Horner.

Mr. HORNER (*Acadia*): Like Mr. Hahn I have an interest in the impact on freight rates that this proposed legislation would have. My first question is this: am I right in understanding that the board of transport commissioners will accept or use the costing formula as used by the Canadian Pacific Railway?

Mr. DARLING: You mean as set up by the Canadian Pacific Railway?

Mr. HORNER (*Acadia*): Yes.

Mr. DARLING: I do not know. The board will work out its own formula. There is nothing in the act whereby it must use that particular formula.

Mr. HORNER (*Acadia*): In the act it states that the railways shall study whether a line is uneconomic and therefore apply for abandonment. Of course

they are using their own yardstick. What I want to know is this. Is the board of transport commissionners going to accept their cost analysis, or would they have a cost accounting system of their own in regard to these abandonments?

Mr. DARLING: I think the board would make its own system and satisfy itself. It might coincide more or less with an existing system, but the board will be expected to set up its own system.

Mr. HORNER (*Acadia*): Has this been the rule in the past, do you know?

Mr. DARLING: You mean with regard to line abandonment?

Mr. HORNER (*Acadia*): Yes, with regard to line abandonment or other costing.

Mr. DARLING: The board has set up a system.

Mr. HORNER (*Acadia*): Are they not identical with the railway practice?

Mr. DARLING: They may or may not be. The board has made changes from time to time in the costing figures which have been produced before it. I can think of several specific cases of this. The end result is that you have the board's costing system. That there should be a measure of agreement is not by definition reprehensible. It may lie in the similarity of the factors.

Mr. HORNER (*Acadia*): In the competitive rates area does not competition drive the railways to rates lower than those which are compensatory at times?

Mr. DARLING: As you are aware the act attempts to provide against such an eventuality. The rate must now be compensatory.

Mr. HORNER (*Acadia*): As long as it is felt that in a non-competitive area it carries a greater share of the overhead or costs, is there any rule in the proposed bill whereby this can be safeguarded?

Mr. DARLING: I would not agree with that general statement. Where the overhead is carried is not a simple answer. A lot of commodity rates, because of the volume in which they move, do carry a considerable share of the overhead. There are of course a great variety of rates. You may have the same physical movements, and there may be a dozen different levels of rates charged for some of those commodities on single movements, so that the overhead may be more in some cases than in others. Or in the aggregate their share may be very small, where their movement may be very slight. This cannot be accepted as a general statement.

Mr. HORNER (*Acadia*): Well, within the accepted or non-competitive areas, it may not be by you or other people, but in the non-competitive areas, if you are wondering, Mr. Baldwin has given an example of the effect of this bill or a proposed bill similar to it. In answer to a question earlier, you agreed that you are going to abandon a rail line for one shipper and make the grain grower haul his grain a further distance. Then you say that grain is not paying its own way, and that we are going to have to pay a subsidy.

In the light of these two approaches to this non-competitive area, how does Mr. Baldwin substantiate that the railways could haul the amount of grain that they did haul in the last couple of years and yet not improve their financial position?

Mr. DARLING: We are not taking any position regarding the desirability or not of a subsidy on grain. Looking at it purely from a mathematical point of view and strictly from logic, over a period of years there were general increases. But grain did not take these. It may be for very good reasons, but the fact that it did not mean that other rates paid more than they otherwise would have done. So it seems to me that it follows as a mathematical calculation, and by the same token if a grain subsidy is not put in, then surely the railways would have to look elsewhere to recover the same revenue.

Mr. HORNER (*Acadia*): In making that statement you are assuming that the railways have lost money in hauling grain over the years.

Mr. DARLING: The bill does not say that.

Mr. HORNER (*Acadia*): That is a statement you just made.

Mr. DARLING: No, I did not say that at all. I said I was leaving that question neutral. I am saying from the fact that the grain did not take the increases, the railways had certain revenue requirements and had to meet them out of other rates than grain rates.

Mr. HORNER (*Acadia*): This is the very thing I am objecting to. They say that because the railway rates were held low on grain, other people had to pay more. Therefore the railways lost money.

Mr. DARLING: I mean that the railways may be making money, from grain, but from the mere fact that grain did not take the increase, it seems to me that the other rates had to take a bigger increase.

Mr. HORNER (*Acadia*): Let us look at competitive rates. Did they take the rail increase?

Mr. DARLING: They took some increases, not only the general, but also some particular increases. But that is not the point I think which you are making.

Mr. HORNER (*Acadia*): I am trying to look into the future to see what effect this abandonment of control of railways has had in a sense, or will have over freight rates. Now, turning myself to the non-competitive area, I see that you will limit the price which may be charged for cost.

Mr. DARLING: There are a considerable number of competitive rates, and agreed charges applicable between eastern and western Canada, and competition is already a factor in this movement.

Mr. HORNER (*Acadia*): This is true in some areas, but there is not nearly the competition that exists in other parts of Canada.

Mr. DARLING: No. But if one wishes to pinpoint it, there are no minimum or compact geographical areas where one can say that these are non-competitive. Locally anywhere in the country short-haul competition is almost all pervasive. Certainly this is so in the province of Alberta. But there are types of long-haul movement where competition is not a factor, and there are other types where competition is very intense. It is impossible to generalize. These movements are not concentrated in any particular area. They may exist in various parts of the country, and only apply to certain commodities here and there.

Mr. HORNER (*Acadia*): I think it was generally agreed in western Canada, and I know that in the prairie provinces that three governments accept the position that they are in a non-competitive area with regard to rates.

Mr. DARLING: I was thinking of it in terms of your internal traffic.

Mr. HORNER (*Acadia*): Maybe not so much in the case of internal traffic. I am talking more about trans-Canada traffic.

Mr. DARLING: There have been increases in the number of competitive rates, and there are of course competitive carriers or highway operators across the country.

Mr. HORNER (*Acadia*): You do not feel that in turn in this whole area, as I understand it, in Bill No. C-120, you are putting the onus on the shipper to prove that in the case of goods he is shipping out of his area that it is a non-competitive area, and that he must prove what the rates must be?

Mr. DARLING: He must establish that there is no other practical means of transportation open to him.

Mr. HORNER (*Acadia*): Could not the onus be put on the other side of the ledger? Is it not a case of every man being innocent until he is proven guilty?

Mr. DARLING: Would it not be better to let him speak on his own behalf? If the railways were left to set it, they might find where he had competition when he himself did not think that he had.

Mr. HORNER (*Acadia*): I feel that this is one of the areas where some changes should be made, and I feel it in the case of grain rates and grain producers and in the combined effect of branch line abandonment and the subsidy. How do you feel? How can you people make these claims in the light of the figures and experience that I have had in my handling and hauling of grain.

Mr. DARLING: We make no such claims. Any grain rate legislation provides for the payment of any deficiency in the revenue over the cost. If there is no deficiency, then there is no payment. Any excess of revenue over the variable cost is credited. This is deducted from the contribution to overhead as provided for in the bill. If the railways can successfully rationalize their grain handling operations, they will greatly reduce their cost, and then they would receive no subsidy and on account of a deficiency of revenue below their costs and the amount they would receive as a contribution to fixed costs would be greatly reduced. The bill does not state that this exists, but it provides for the benefits when found to exist.

Mr. HORNER (*Acadia*): You may say that the cost exists. But now let us turn to non-competitive areas. In the 17 per cent increase of some years ago, this was moved back to 10 per cent. But most of it went as a subsidy on goods moving from western Canada, or a lot of it.

Mr. DARLING: I cannot answer as a fact where this went.

Mr. HORNER (*Acadia*): I think there is evidence before this committee about it and in other places, and it is a fact that the prairie provinces benefit percentagewise because of the low value.

The CHAIRMAN: Now, Mr. Crouse.

Mr. CROUSE: I have many questions to ask, but one question which puzzles me concerns the manner in which you reach a determination whether a line is economic or not; I mean a branch line.

The CHAIRMAN: Are you getting into specifics here? We were trying to discuss the background of the bill, and after that we planned to start with rates, branch lines, and passenger service. If you have a question on the background of the bill, I suppose it is all right. Could you frame your question having that principle in mind?

Mr. CROUSE: Yes, I think so. At the moment I am thinking of branch lines in my constituency.

The CHAIRMAN: I know.

Mr. CROUSE: I am rather interested in how you would determine the economics of this area? Do you do it by determining the freight going into a certain area or the freight which originates in that area, or by a combination of both? The line I am thinking of is a branch line in Queen's county which services the Caledonia area. It runs from Bridgewater to Caledonia. Now, if that line were abandoned it would have a considerable effect on the people coming into the area as well as on the freight which leaves it. It would certainly have an effect on the town of Caledonia. Where do you start to figure the economics of these branch lines? If you should abandon the branch line from New Germany to Caledonia, for example, it would have an effect on the shipment of mineral products as far west as Winnipeg, and it would have an effect on the shipment of lumber from Caledonia to Halifax, because at the moment the railway carries lumber from Caledonia to Halifax. But if the line were abandoned, it would be necessary to load that lumber on trucks at Caledonia, and those trucks certainly would not stop at Bridgewater to reload the lumber on to the railway. They would surely carry it straight through to

Halifax, and this would affect your freight. I am curious to know where you start to equate the economics of branch lines. I hope my question is within the orbit of the Chairman's ruling.

Mr. COPE: You have established a specific question and perhaps we might dispose of it at this time.

The CHAIRMAN: I would not like to think that we were getting into branch lines right away, because no one has been dealing with specific cases up to this point. However, if you wish to dispose of it at this time, you may go ahead, if it is the wish of the committee.

Mr. STEWART: It seems to me that Mr. Crouse has raised a very specific instance, and the very question that we should be dealing with, in referring to a complicated system which would be applicable to any particular portion, or the effects of which would be apparent throughout the entire system. If we can assume that any question concerning branch lines is relevant, then surely this is one.

The CHAIRMAN: Perhaps so, if not in too great detail.

Mr. CROUSE: I merely mentioned the details to assist in presenting the problem. But I submit it could apply to all branch lines right across the country.

Mr. COPE: First of all, in evaluating the economics of branch lines, revenues are taken into consideration. These are the total revenues from the origin to the destination of any particular movement. These can no doubt be pinpointed to the revenues associated with the movement of a particular product. If there is a branch line in the maritimes, and if there is a shipment whose final destination is western Canada, the total revenue of that movement may be taken into account. In railway terms the total revenue associated with the movement of any goods from central Canada to that branch line would be taken into account. On the cost side, the costs which are taken into account are the total costs associated with the operation of that particular branch line. In addition to that, there are variable costs of the movement of goods from the originating point to the destination point.

For one thing, you have your fixed plus your variable costs, and your branch line plus your variable cost on traffic moving over other parts of the system as an indication of the difference between revenues as I have described them, and of the costs as I have described them.

The CHAIRMAN: Are there any other questions of a general nature?

Mr. BALDWIN: This does not mean that the off branch line situation is taken into account in the cost of your actual branch line. The formula is slightly in favour of the branch line.

Mr. HAHN: I have one more question which might be answered by way of information. This deals with the problem of subsidies. Would it be possible to get us a breakdown of the subsidies currently paid, and a breakdown of subsidies estimated under the provisions of this bill?

Mr. DARLING: Yes, certainly.

The CHAIRMAN: Now you will recall that the next group of clauses relate to rates. I was hoping for some time that we might limit our questions to rates. What clauses are they, Mr. Darling?

Mr. DARLING: These start with clause 17 on page 21 and carry on to page 26 of the bill, with clauses 17, 18 and 19, roughly speaking.

Mr. WINCH: According to the information given last year when rates were taken up, Crowsnest rates were clauses 17 to 21. Are you going to include them both together?

Mr. DARLING: No. That is a separate subject.

Mr. COWAN: When Mr. Baldwin was giving evidence the other day he was interrupted for lunch time. When I came back in the afternoon to ask a question, there were only you, Mr. Chairman, and Mr. Baldwin here. At page 20 of the bill, under clause 329 (*a*), you have a definition as follows:

> (*a*) Atlantic port means any of the ports at Halifax, Saint John, west Saint John and Montreal, and any of the ports on the St. Lawrence river to the east of Montreal;...

Has Montreal ever been called an Atlantic port before this revised bill?

Mr. DARLING: It is only here for the purpose of a grouping of rates which are in the same class. These are the rates affected by the bill. The term could have been something other than Atlantic port.

Mr. COWAN: I think it should be. Montreal has been classified as a great lakes port, on the St. Lawrence Seaway. I am interested in the water level of lake Ontario, but I hope that Halifax does not wish us to raise the level of Bedford basin, as the next move. Montreal is a great lakes port now.

Mr. BALDWIN: We are trying to find a definition for a group of ports for rate making purposes, not necessarily for geographic purposes.

Mr. WINCH: Are we to have the minister with us this afternoon?

The CHAIRMAN: He has so indicated, provided we can meet this afternoon.

Mr. WINCH: Now that we are getting into details would you permit a question on a particular principle or policy in the bill or only on the bill?

The CHAIRMAN: I may only permit what you allow me to permit. If the minister is here this afternoon I suppose there may be some particular question which you may wish to ask him. But at the present time we should go ahead with rates.

Mr. COWAN: If you are going to cut in Montreal and the Atlantic provinces both, does that mean that Montreal and Halifax are going to be happy with everything that goes on?

Mr. DARLING: These are winter rates to these ports and the traffic which actually would move to the port of Montreal under these rates is almost negligible; but they are in fact on the same basis as the rate to Halifax and Saint John. Rather than split them they could be called Atlantic and St. Lawrence ports for the purpose of the legislation.

The CHAIRMAN: Are there any other questions on rates?

Mr. GRANGER: The beginning of section 334 (1) in clause 19, says:

> Except as otherwise provided by this act all freight rates shall be compensatory;—

How will that affect the present rate structure in the Atlantic provinces, for instance, on freight to Atlantic ports and St. John's, Newfoundland?

Mr. DARLING: I do not think now there are any rates in existence that are below the compensatory level. On the other hand, the rates that exist, of course, will continue where applicable to bear the maritime freight rates subvention. The compensatory level will include the subvention. It will be the gross rates that will be compensatable.

Mr. GRANGER: I am thinking about the difference existing between the eastbound and westbound rates. May we discuss this?

The CHAIRMAN: Yes.

Mr. WINCH: If so, then may I ask that this include British Columbia. We want to know why British Columbia is discriminated against.

Mr. GRANGER: As I understand it, one of the problems from time to time is the difference in eastbound freight and westbound freight. These differences

exist. Could you give me an outline of why this difference exists and whether or not an equalization can be hoped for in the future?

Mr. DARLING: There is a very good reason this exists in the maritime provinces. The Maritime Freight Rates Act subvention applies only within the maritime provinces and on goods travelling from the Atlantic provinces to central Canada. It does not apply to goods moving in the maritime provinces. The reason for this always has been, I think, the reluctance of the maritime industries to facilitate the competition of industries of central Canada in the maritime market by giving them low freight rates. The Maritime Freight Rates Act is for the benefit of the maritime provinces and the movement of their goods to central Canada.

Mr. GRANGER: And within the Atlantic provinces?

Mr. DARLING: Yes.

Mr. GRANGER: Do you foresee, with the passage of the proposed legislation, that there can be any upset in the present arrangement? What I mean by upset is a revision of the freight rate generally upwards in the Atlantic provinces?

Mr. DARLING: I do not see that this is to be expected in any positive way at all. I think the situation now is that these rates are compensatory; they are not frozen, of course, but there is no reason they should be singled out.

Mr. GRANGER: You say they are compensatory now, or believed to be.

Mr. DARLING: They should be under the existing act; that is, the gross rates including the subvention.

Mr. GRANGER: The passage of this legislation would not mean that the frequent demand for adjustments or requests for adjustments in rates in the future would be restricted; am I right in assuming that?

Mr. DARLING: That is right. In fact, in many cases it might even be facilitated by the legislation. At the present time, the rates tend to take a position sort of like that at the intersections of a spider's web, as it were. If you depress one, there is a whole area around the bottom which similarly is affected. So, the railways are not in a position to take care of individual situations; this means they must more or less forgo looking after an individual shipper in this respect.

Mr. GRANGER: We are particularly interested in this because the Atlantic provinces supply a captive market for railway transportation, certainly at least for part of the year, and to a great degree all over the year. That is all for the moment, Mr. Chairman.

Mr. WINCH: I have a question on the same principle. You are not going to get me away from the situation in respect of the differentiation between east-west and west-east. Under the proposals here is there anything at all that will mean the correction of a situation which, as you know, we always have maintained is outright discrimination against the province of British Columbia when shipping east.

Mr. DARLING: Well, first of all, there are a great variety of rates. The mere existence of difference is not ipso facto an indication of an inequity. The reason for the rates being very low going to British Columbia, of course, is the very favourable competitive situation which exists going in that direction.

Mr. WINCH: You say it is competitive going west to British Columbia, but then they have to come east again, because whether it is a box car or a truck, it still has to come east.

Mr. DARLING: This is true. Of course, there are some competitive rates moving in the other direction. I just do not know what the volume is. This is something determined by the factors in the market situation.

Mr. WINCH: Under this clause is there any possibility of equalization of freight rates so far as British Columbia is concerned, east-west?

Mr. DARLING: Not on the mere claim that the rate is different. If there is an indication of an undesirable twist in the structure, then this is a matter for a national policy consideration.

Mr. WINCH: Then, could the witness give me one sensible reasonable answer with reference to why there should be a difference in east-west to west-east in respect of British Columbia?

Mr. DARLING: Of course there are many reasons for the difference. I can only think that there are different forces or competitive factors. Offhand I do not know why this should be.

Mr. WINCH: I am sorry, Mr. Chairman, but I cannot understand why there should be a competitive difference between east-west and west-east. As I said a moment ago, a box car goes to British Columbia and it has to come back, and if a truck goes to Vancouver it has to come back. Now, where does the competitive factor come in; why does it cost more to ship east than it does to ship to British Columbia? We do not have any maritime freight assistance in British Columbia.

Mr. DARLING: The volume of movement is greater moving west and there is more competition there between the Canadian and United States railways. One of the factors which has influenced the competition is that California is a closer point of supply. The matter of why the difference should exist in any one case I think would be something which would have to be studied in respect of the actual conditions which have arisen. I do not think there can be any hard and fast reason. They might cover a certain prevailing movement in one direction and not in the other.

Mr. WINCH: If this continues, I think you may have a greater separatist movement in British Columbia than you have in Quebec.

Mr. STEWART: Now we are on this matter of rates specifically, I would like to ask two or three questions. At the top of page 26 in the bill, subsection (9) of the proposed new section 335 says:

This section is subject to the Maritime Freight Rates Act.

Would one of the witnesses spell out what legal situation will result as a consequence of this subsection?

Mr. DARLING: Well, this would refer to the preference in respect of rates on goods going to select territories, namely the Atlantic provinces, under the Maritime Freight Rates Act. The duty of the board now is to see that these rates are maintained on the basis authorized in the act. Where the standards change, it is the duty of the board to see that the Maritime Freight Rates Act is in force and in harmony with the changes.

Mr. STEWART: Let me ask this: Here I am trying to discover the effect of the present proposed legislation; let us assume that on a particular commodity moving from Halifax to Montreal it is decided, through the processes set up here, that only the maximum rate can be charged. How will the provisions of the Maritime Freight Rates Act, which are geared to provide and set prices in relation to certain other rates, intervene in relation to this maximum rate, assuming that they do not coincidentally strike at the same figure? My understanding is that the Maritime Freight Rates Act is overriding this act. Are you saying that a whole set of operating calculations will have to be maintained in order to apply the Maritime Freight Rates Act? You will have to know what the rate, against which the maritime rates would be compared, would be in order to decide whether or not the maximum rate provided under this formula here would apply.

Mr. DARLING: This is what is done today, of course. These tariffs are published and they state on their face that they conform to the Maritime Freight Rates Act, meaning that those rates have been authorized by the board. If I understand your question correctly, you are saying if the maximum—

Mr. STEWART: May I try again? Let us assume on a particular movement of goods, once a decision is made that there is no significant competition—to use a clumsy expression—that the maximum rate ordinarily would apply.

Mr. DARLING: Yes, but under the Maritime Freight Rates Act the rate that the shipper would pay would be the net amount. It will be the gross rate that will be measured by the standards of the act, and it is the net rate that is paid by the shipper.

Mr. STEWART: I think we are not communicating.

Mr. COPE: I think the answer to your question is that the shipper would benefit from the lowering of the two rates.

Mr. STEWART: In other words, two separate sets of duplicate calculations would have to be maintained at all times.

Mr. COPE: I think perhaps you confuse this question of sets. Certainly in maritime freight rate matters there are a number of rates established, and there are some things you can describe as sets. However, I do not envisage the maximum rates in the same way. These probably would be rare and would be applied for, and special situations would come into play. So, you will not have two elaborate sets of recordings. You will have one elaborate record probably, and another series of applications of the maximum rate formula.

Mr. STEWART: Mr. Chairman, I may wish to return to this whole subject later.

The CHAIRMAN: Are there any further questions on rates?

Mr. REGAN: Well, Mr. Chairman, would the matter of discrimination in rate making fall under the general topic of rates?

Mr. DARLING: Yes.

Mr. REGAN: I would like to pursue that matter for a moment or so if I might. It seems to me that the royal commission recommends that the railways should have more freedom in making rates. The bill repeals the prohibition against discrimination so long as the rate does not fall below the variable cost. If they keep above the variable cost the railways are free to discriminate against any shipper or locality. First of all, do you agree that the situation I just have described is accurate?

Mr. DARLING: Yes; that essentially is so.

Mr. REGAN: Then, do you see any danger in the railway being able to discriminate to this degree in setting its rates as between various competing shippers, between similar products, or between localities? The railways is left a very wide limit with regard to the rate that it can charge two competing shippers with similar products. Is there not the possibility that a railway having a special interest in a company or shipper might use this rate making freedom to discriminate in favour of that particular shipper by giving him a lower rate than it would give to a competitor with a similar product?

Mr. DARLING: That possibility, in theory, could exist. In fact, the royal commission did make one recommendation with respect to your suggestion. This is included in the bill and actually refers to the question of the piggy-back rates. This appears in clause 10 on page 16. It is subsection (9) at the top of the page. This requires that similar facilities be provided for all truckers where the railway has its own trucking service. This, in fact, was one of the cases which you are mentioning, I believe.

Mr. REGAN: Yes. So, in this particular instance, regarding piggyback operations, protection is provided against discrimination by this clause.

Mr. DARLING: Yes.

Mr. REGAN: But do you feel it is wise, where there always has been in the past prohibition against discrimination that, other than the protection provided for this particular class of shipper, all other shippers are left to the tender mercies of the railways.

Mr. DARLING: I think it must be assumed that the bill is going to be neutral in its wording. It does not assume that shippers all are possessed of inherent virtue, nor is it assuming that the railways have original sin. One can provide for all types of antisocial acts, but is this necessary? To me this seems to be a case where if it exists it should be dealt with with specifically; otherwise the whole purpose of the bill could be undermined by hedging around to meet the hypothetical problems.

Mr. REGAN: Surely, Mr. Darling, you do not suggest that having a provision in the bill providing that the railways could not discriminate—and so that a shipper who felt there was discrimination would have power to appeal—in any way would affect the freedom of the railways to operate as is envisaged by the principle of the bill.

Mr. DARLING: I think it might in some cases.

Mr. REGAN: Then you are suggesting that the railways should be free to discriminate between shippers?

Mr. DARLING: Yes, in certain instances.

Mr. REGAN: What beneficial result would you envisage from this?

Mr. DARLING: I am thinking of cases where there are new forms of transportation. We may have new industries established which are using new methods of manufacture on a larger scale. They want transportation all over the map. When they look at what the highway services have to offer, there is a complete gamut of service they can choose; they can use the common carrier by hire, they can use a compact carrier, or they can use their own trucks and all different types of trucks. They have all this available. If the railway is to meet this type of competition and be tied to strictly common carrier functions, they are not going to get this kind of traffic.

Mr. REGAN: Then you are suggesting that where there is an existing industry making a competitive product, the railway should be able to offer this new industry a lower rate for transporting its goods in order to obtain the business; that is, a rate lower than that which it is giving to existing industry.

Mr. DARLING: If the traffic can be handled at the new place at substantially lower cost, then the railways, in order to obtain the traffic, should be permitted to handle it.

Mr. REGAN: I do not think I follow you.

Mr. DARLING: What we are covering here is the possibility of the railways tailoring their services to any type of transportation.

Mr. REGAN: What I am saying is that this bill gives the railways freedom to quote one price to company A and another price to company B in respect of the same type of service. Is that not correct?

Mr. DARLING: Yes, that is correct.

Mr. REGAN: That is not a question of giving a different type of service; it is a question of the same service. In view of the ever-expanding octopus that the Canadian Pacific Railway is and the fact that they are involved in many types of operation, can you not see a danger in that they might choose to give a better rate to a company in which they are financially interested than they would give to another company which is a competitor, for exactly the same type of service?

Mr. DARLING: Here again I think this is a problem that would better be solved by an investigation of the issue itself rather than provide against it in the act.

Mr. REGAN: Despite the fact that there would be no limit set under this bill except by subsequent statutory enactment.

Mr. BALDWIN: The reason we are trying to make the distinction in clause 9 is that we recognize the need for a review of something which you might describe as discrimination. This becomes terribly difficult in law under the new vehicle with regard to rate making which would allow the railways flexibility to meet a competitive situation. That does not mean that we reject the need for some right of review of particular problems. This goes back to my earlier comments in respect of clause 9.

Mr. REGAN: Do you agree that the bill is removing what we have had in the past—that is a prohibition against discrimination—and is replacing it merely with the power that if it is felt the public interest is a factor an inquiry can be ordered. The inquiry does not have the power to do anything other than make findings. Is that accurate?

Mr. COPE: We have had no prohibition against discrimination. Now there are several different groups of rates; there are the class rates and the competitive rates, and in between these groups there can be discrimination.

Mr. REGAN: You say you have had no prohibition against discrimination?

Mr. COPE: Not over-all prohibition.

Mr. REGAN: Perhaps not over-all—although I would like to consider that point—but certainly the effect of the entire system of rate structure has been such as to provide effective prohibition against discrimination between individual shippers. Is that not accurate?

Mr. DARLING: I think you have to consider the context.

Mr. REGAN: May I have an answer?

Mr. COPE: I might think of this for a minute.

Mr. REGAN: Fine. It is not only a question of discrimination between shippers, but it seems to me that this freedom in rate making in respect of commercial and individual shippers also can be used by the railways to determine whether a shipper can or cannot enter a market; that is, for instance, whether Halifax can or cannot compete on equal terms with other North American ports. If you can quote various specific different prices, then you can push them to whatever port you decide is going to be used for a commodity thereafter. Is there not a danger of discrimination in that regard also?

Mr. DARLING: First of all, surely the aim of the railways is to increase the volume of their traffic. They are not going to act in any way that will cut off their noses to spite their faces. They will try to maintain rates that will move this traffic. Let us remember, because of the very nature of the complaint you cannot remove it entirely. For any given rate system, for a shipper there is some point beyond which he is kept from shipping because of the height of the rate. This exists under any situation and who should determine where this limit is? You can reduce that rate 50 per cent and extend the market, but all this will do is probably put him tantalizingly just outside reach of another market. It seems to me that the point of the commission's policy is that this should be determined by the competing factors of the railways and shippers.

Mr. REGAN: Are you not incorrect in saying that the purpose of the railways and their aim is only that of moving traffic?

Their aim is surely that of maximizing their net income, and if they achieve it better by concentrating all products of a certain nature into one market, or into one shipping point, then perhaps this is more economic for them than to move those products a greater distance. I mean that it brings them greater revenue in the over-all picture and produces the economies of size and concentration.

Mr. DARLING: I would say that to enable them to achieve this would in effect involve them in a very obvious distortion of a rate structure which would become obvious and eligible for study under clause 9. I do not think you can assume that the railways are in effect going to produce such a distortion. It might arise for various reasons, and if so, it could be handled on an ad hoc basis. The commission was very insistent that these proposals would not mix with the existing system of regulations. Volume II, page 85 makes reference to the maximum rate proposals "solely as a replacement to existing rate regulation, not as an extension of it. The old controls and the new will not mix".

I would say that a large part of the reason for discrimination will be in effect taken care of by the growth of competition. The commission felt this would spread and would eventually become a powerful deterrent against some types of discrimination. But in any event it seems to me to be difficult to assume that any carrier would permit it.

Mr. REGAN: Let us assume the provisions of this act require a great amount of good faith in what the railways will do without adequate protection being actually provided for the public interest. Their good faith in relation to this may be questionable because of some of their past practices. For instance, for the moment, many have indicated that they lost on some of their operations, when the royal commission figured the loss to be much lesser than seemed to be accurate. I refer in general to their actions in seeking abandonment of their services. Of course this may apply more to the Canada Pacific, because I think the Canadian National has seen the error of its ways in that regard. But in view of the deceptive tactics practised by the Canadian Pacific Railway, do you not think that this is a tremendous amount of trust which has been placed in them not to discriminate and not to take advantage of their right to freedom and not to act to the disadvantage of one locality and that the body of trust that has been placed in the railways system may be misplaced?

Mr. DARLING: I would not agree at all with the main premise of your question. I think the purpose of the commission's proposal is to regard the railways as other transportation industries are regarded, as just another business. These possibilities exist in other businesses. There has been less security there for public interest, and yet no great problems seem to arise.

Mr. REGAN: Other businesses are not monopolies in the sense that a railway is a monopoly in this country.

Mr. DARLING: The railway is not a monopoly today. There are certain industries which possess a small element of monopoly just as much as does the railway. Because regulation of freight rates has been a long accepted thing, there has arisen an attitude of distrust of the railway companies. Whether it is justified or not, I do not know, but I do not think it should be imported into the statute. If there are problems arising, they will be dealt with ad hoc.

Mr. HAHN: Perhaps I might ask Mr. Regan why it is that he thinks the country, the world, the railways, and the Canadian Pacific all conspired to wipe out the city of Halifax? Now getting back to the rate structure, as I understand it the maximum rate provision applies when a shipper declares himself to be captive, and that he has no other practical means of shipment other than by the railway. Having initiated the rate, the railway has sug-

gested the philosophy that he should then apply to the board to have the maximum rate set. However, he is then obligated to make all his shipments over the railway for the period of one year.

Mr. DARLING: That is right, but only for those shippers affected by the maximum rate.

Mr. HAHN: Does this not provide a possible problem in the great lakes area where seasonal factors may come into effect? The shipper may well ship in the summer season from one great lake port to another, or down to the coast by water carrier, but it may suit his economic interests. But in wintertime, when that method of transportation is not available to him he may be forced to go to the railway, and have the railway as his only other means of shipment. Under these provisions, he would be forced, as I see it, to make all his shipments throughout the year by railway or lose his ability to have the maximum rate set out for that portion of the year when he is obligated to ship by railway.

Mr. DARLING: If your shipper has water competition for six to eight months a year, he possesses a big club over the railways. This is in fact what does happen where the railways are forced to bargain to obtain the traffic the year around. The shipper is not really captive in the full sense of the word.

Mr. HAHN: I think that the shipper should be able to take advantage of low water rates in summer and still get a fair deal with his shipping rates in winter, when this kind of transportation is not available to him.

Mr. DARLING: Well, he does. There is nothing to indicate that the railways would be without some constraint to give him a good rate when they stand to lose his traffic. There are winter and summer rates into and out of the great lakes area. I do not think that any of these rates are close to the maximum level necessarily, though they might be. But if the railway were to grant him traffic for six months of the year, or for a full year, it seems to me that they would be more prepared to make a dicker than they would otherwise, in order to get this traffic throughout the year. Each shipper must take his own circumstances into consideration. If he wishes to use competition when it appears, then he should not bind himself for a year.

Mr. HAHN: Why should he not be able to use the cheapest means of transportation in the summer season, and be assured that when he goes to the railway in the off season the railway is not going to hammer him unduly? Why should the railway not still be obligated to give him 150 per cent of their variable?

Mr. DARLING: Simply because he will only be shipping for a few months of the year by rail. I wonder after all if he is not still dependant on his circumstances. If you are talking about water competition, you are taking in large part of bulk traffic. He can in fact bunch his shipments so that the majority of them go out by water. Then it is up to the railway, if they wish this traffic, to give him a suitable rate in wintertime. This does happen in the United States where there is a special rate on iron ore which applies from Duluth to Buffalo, but only for the off season. The railways have every incentive to capture this traffic in winter by means of rates under which they can hold some of it in summer. I do not think the shipper is a captive. This is my view.

Mr. STEWART: I want to go back to something we touched upon several times, and I would also refer to Mr. Regan's recent line of questions. I think it is quite clear there is specifically a clash between what we might call national policy and the business interests of the railway company which might occur, and that clause 9 of this document does not solve the problem resulting from

such a clash. The disparity of these clashes depends on the question of whether or not there is competition. My question is simply this: what studies are available to the Department of Transport on the prevalence of competition, and how deeply has this been studied in relation to manageable areas of the country? Do we know what the situation is in the prairie provinces? Presumably we do know what it is in central Canadian areas, but has a study been made of the maritime provinces.

Mr. DARLING: Well, one source of information is the one per cent waybill analysis prepared yearly by the board of transport commissioners. This divides the rates in several ways. They use them in three territories: the maritimes, eastern, and western; and the movement between those territories. When it considers traffic moving at various classes of rates such as class rates, commodity rates, both non-competitive as well as competitive; the amount of traffic moving under agreed charges, and the amount moving under the statutory grain rates.

This shows a breakdown by regions of the proportions of traffic which move on the competitive rates, within regions and between other regions. For example, in the western region it shows the commodity rates moving within western Canada. As an example 1,615 were at the so-called non-competitive rates, while 1,287 were at competitive rates.

This is not to be taken in a hard and fast sense, of course. The competitive factor can be present even where the rate is not necessarily labelled as competitive. A good deal more information of that type can be gleaned from a study like this.

Mr. STEWART: I am particularly anxious because I know there are members from other parts of the country who are aware of the situation in the maritime provinces. The question I wish to ask is one of opinion. Have you as a result of having examined these waybill analyses come to the conclusion, as mentioned earlier, that there is a sufficiently increased rate of competition within the maritime provinces and between the maritime provinces and the central Canadian market to make this broad scheme of legislation one which will not be contrary to what one might call the national interest?

Mr. DARLING: Yes, I believe that is so.

The CHAIRMAN: Are there any other questions on rates?

Mr. REGAN: I think we should adjourn.

The CHAIRMAN: We are through with rates for the present time, and we shall go on this afternoon after orders of the day, at 4 o'clock.

Mr. BALDWIN: May I make one point briefly for the record. There was something which I was not able to locate earlier when Mr. Winch raised the question of non-rail assets of the Canadian Pacific Railway. I have been clawing through the royal commission report to find the passage that I hoped to find. There is a section there I would like to draw to the attention of the members in case you wish to refer to it, in this royal commission report. It explains the philosophy in reaching the conclusion which is reached. It is to be found in volume II, at pages 72 to 76.

Mr. CROUSE: Is there implementation of those rules proposed in this bill, and is it going to bring about a change in operation of the C.N.R. which will do away with its annual deficits?

Mr. DARLING: The deficits proceed from a number of accumulated factors including accumulated past deficits. There is of course a recapitalization bill for the C.N.R., and presumably it will deal with them.

Mr. COWAN: What year is that? I am only 62 now.

The CHAIRMAN: Mr. Pickersgill will be here at 4 o'clock. As you and I know, we do not know what the house will be like this afternoon, but I always

say 4 o'clock. I would like to add if we are not started by 4.30 p.m. I shall not ask the witnesses to stay. So do not be surprised if you come in at a quarter to five.

Mr. STEWART: You will proceed with the other portions of the presentation?

The CHAIRMAN: We are through with rates now. Mr. Pickersgill will answer some questions on the background of the bill. He has already made a presentation.

AFTERNOON SITTING

The CHAIRMAN: The minister has not arrived yet. However, he will be here shortly and I would suggest that we proceed at this time with the next problem in the bill, namely the question of grain rates.

Mr. Darling will answer any questions put by members of the committee.

Mr. DARLING: Mr. Chairman, I might say that this is found in clause 16; it starts at page 17 and extends over to page 21.

The CHAIRMAN: Yes. This refers to the Crowsnest pass rates.

Mr. FORBES: Mr. Chairman, I would like to put a question which has come up in connection with the Hudson Bay Railway. It is claimed there is a diversion charge for diverting the grain from certain lines to the Hudson Bay line. I would like to know who gets this diversion charge; is it the C.N.R. or the elevators?

Mr. DARLING: Mr. Chairman, I think this is a question that will have to be addressed to the railways, but we possibly could get some information on it.

Mr. FORBES: Are you saying that the board of transport commissioners does not know what rate the railway companies charge?

Mr. DARLING: I understand it goes to the elevators.

Mr. FORBES: Then the elevators get the diversion charge?

Mr. BALDWIN: I am informed that this is a special charge laid by the wheat board which goes to the elevators.

The CHAIRMAN: Gentlemen, the minister has arrived and perhaps we could revert to the main subject of our discussion, which was the background of the bill. Mr. Winch asked to hear this subject reopened this afternoon when the minister returned.

Mr. WINCH: Mr. Chairman, I would like to put a question for clarification. On the fundamental basis upon which Bill No. C-120 was drawn and upon which we will have a new bill next session will the minister explain whether this was drawn strictly for the railways or does it have any connection or bearing on a national transportation policy. I want to put my question that way because, in my own mind, I cannot conceive of us ever resolving our problems in Canada without a national transportation policy. Does this have some bearing and relation thereto and, if so, in what manner?

Mr. PICKERSGILL: Well, if I may look at the bill, sir, the first clause now before us reads:

> It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system by permitting railways and other modes of transport to compete under conditions and sharing that, except in areas where a transport monopoly exists, . . .

I draw particular attention to those words: "in areas where a transport monopoly exists" or a virtual monopoly on the part of railways exists, and in this regard it is our view that there should be strict regulations. I continue:

(a) Regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;

(b) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services provided at public expense; and

(c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty;

And the provisions of this act are enacted in accordance with and for the attainment of so much of the national transportation policy as relates to railways under the jurisdiction of parliament.

I know that is rather a large mouthful but, as I understand it, it means that it is the view of the government that apart from areas where the railway has something approaching a monopoly—it does not need to be a total monopoly but a virtual monopoly—where we feel in the interest of the public the only way they can be protected is to have relatively strict regulations, but in other respects the railways, whether they are competing with trucks, with ships or with planes—and they compete with all of them, even with motor cars—should be as free to compete as other modes of transport, and that as far as practicable the users of the railways and the users of other modes of transport should pay for it instead of the taxpayers. That is roughly what it amounts to and that is as I understand it from my reading of the MacPherson report. That is the basic report that was made and that is what this bill seeks to do. Of course, there is one very large exception to that, apart from what is called captive traffic; the other big exception is the traffic in grain, where the Crowsnest pass rates are to be maintained. I do not know that I can add very much more to that answer.

Mr. WINCH: In the preparation of what you called this big mouthful a few moments ago may I ask if in the drafting of the broad principles of this bill you related the numerous and voluminous arguments presented to yourself and the government by the truckers association?

Mr. PICKERSGILL: Well, I am not sure because I inherited this bill, if I may say so, while certain changes were being made in it. I presented it to parliament and I do not think it is any secret that it was very largely drafted when my predecessor, Mr. McIlraith was the minister. Drafting began when Mr. Balcer was the minister, and there has been no fundamental change in the objectives from the time of the previous administration, as I understand it, to the present time. But, when arguments were presented to the government which seemed to have sufficient force we made certain adaptations in the draft we prepared with a view to presenting to parliament, as far as we could, a bill that would be satisfactory and one which would not have to be changed still further. There is no doubt that some of the views of various interests, not just the truckers, have been taken into account. But we have never assumed from that that all these interests who were concerned by this bill would not come before the parliamentary committee, make their representations, and put forward certain arguments against anything in the bill that they thought ought to be changed.

Mr. WINCH: Of course, another question must follow. Is it government policy that all these phases of railway operations should be based only on present or future economic operations without taking into consideration all the hundreds of millions of dollars of grants by way of money, land, mineral resources and so on?

Mr. PICKERSGILL: In answering Mr. Winch's question I propose to draw the attention of the members of the committee to this paragraph at page 75 of volume II of the report of the royal commission, which reads as follows:

> Therefore, on principle, and on all the implications of the principle, and for reasons associated with the objectives of National Transportation Policy, we do not recommend that assets and earnings of railway companies in businesses and investments other than railways be taken into account in setting freight rates.

Mr. WINCH: I have read the report and I understand it. Therefore, this is strictly a matter of government policy. I do not have any information in respect of the Canadian National Railways because this information is not published but, to put it briefly, I do find that there is information relative to the Canadian Pacific Railway, as found in catalogue No. 52-202. At the end of December, 1963, cash subsidies and expenditures on construction amounted to $106,280,334 and, in respect of land grants, $43,962,546. Now, so far as the Province of British Columbia is concerned, I have considerable knowledge of the value of those grants, how they are utilized and in what way the revenue is going to the C.P.R. I will use the example of the E and N, which originally was not built by the C.P.R. but by the Dunsmuir interests. It was taken over by the C.P.R. with all the rights and privileges. As recently as last year, on the grant alone of one section of forestry, they realized some $55 million. Is it not government policy to take the operating revenues into consideration?

Mr. PICKERSGILL: Well, if I may go back to the bill, it does refer to the real cost of the resource facilities and services that are invested. Whatever may have been the situation in the past I think it has been the view of this commission, and I think we have taken the view, that if the railways are to be maintained on anything like an economic basis, the resources that are applied to carrying out the railway services are those that have to be taken account of at the present time.

Mr. WINCH: Is the minister aware that almost every year the C.P.R. is forming new companies, incorporating companies and so to handle the grants and to utilize the mineral and timber rights which they received as gifts from the people of Canada? I hope you know they are doing this. Only last fall two new companies were formed in British Columbia. Are you saying that you are not going to take into consideration the money which the C.P.R. is receiving through these incorporated companies, through free grants made by the people of Canada, by which they are realizing hundreds of millions of dollars.

Mr. PICKERSGILL: Would the corollary of your argument be that they should not charge anything at all for carrying freight?

Mr. WINCH: I beg your pardon?

Mr. PICKERSGILL: Would the corollary of your argument be that the C.P.R. is deriving so much revenue from these other assets that it ought to carry all the traffic free?

Mr. WINCH: Of course not; I am not that stupid. But, in my opinion it should be taken into consideration.

Mr. PICKERSGILL: To what extent do you think it should be taken into consideration?

Mr. WINCH: As revenue from the operations of the C.P.R.

Mr. PICKERSGILL: In other words, if they make enough revenue out of their other assets you are saying that they should not make anything out of the railroad.

Mr. COWAN: Mr. Winch is talking about grants made to the railway.

Mr. PICKERSGILL: I do not think he talked just about that.

Mr. COWAN: It was quite clear to me.

Mr. PICKERSGILL: Perhaps my perception is rather slower than yours, but I will catch up with you.

The CHAIRMAN: Have you a question, Mr. Muir?

Mr. MUIR (*Lisgar*): Mr. Chairman, I have a supplementary question. Is it a fact that the mountain rates were set for a certain cash consideration plus some of these grants which Mr. Winch mentioned with regard to the Crowsnest pass rates?

Mr. PICKERSGILL: It would be possible, I think, to frame legislation which would take account of every advantage given to the C.P.R., and to say that everything they ever had made or were now making on any of these other assets should be recorded and pooled with the revenue they make from the railway and that they should not be allowed more than a certain return on the whole; that their rates should be set low enough to ensure that the return would not go above that figure; but I ask you to consider what the truckers would say about that kind of competition, if rates were set on that basis. That is why I put the question to Mr. Winch, which he said was foolish. Granted, it was a foolish question but it was carrying this point to the extreme; if you are going to take all sorts of extraneous factors into account and insist that the C.P.R. sets rates taking account of all these other revenues, then every other carrier who has not these other revenues to supplement their own could be undercut, and I think it would be very difficult to have any national transportation policy on that basis.

Mr. KINDT: Mr. Chairman, let us revert to Mr. Winch's question. Apparently it has more in it than the minister is implying when he speaks of extraneous revenues. I know of plenty of oil leases in the west on which the C.P.R. still reserves rights and are receiving royalties.

Mr. PICKERSGILL: Yes.

Mr. KINDT: By the same token, therefore, there are other assets which are producing revenues, such as the one Mr. Winch mentioned. Now, you can go right down the line and you will note that all these have risen from the business of the corporation. Why should they not be taken into consideration when you are taking into account costs, revenues and so on.

Mr. PICKERSGILL: Dr. Kindt, I believe you have a lot of agricultural experience. I do not know whether or not you yourself homesteaded but there are old men, such as myself, who actually remember homesteading, when for a ten dollar fee you could get a quarter of a section of land, as my father did in 1911. I remember that very well. We were not very lucky on our particular homestead, but I believe there are a lot of those homesteads where the farmers got mineral rights; where oil was struck and they have done pretty well out of them. There were other cases where the mineral rights were reserved and they did not. But, would you say a farmer who owned the mineral rights, after striking oil, would not be entitled to get anything for his wheat?

Mr. FORBES: But this question of Mr. Winch applies to grants. This is what has been referred to.

Mr. WINCH: I presume that this act will not be changed too much during the next session, but could you tell me on what basis taxpayers should subsidize railway operations when they are making millions of dollars out of free grants by the people of Canada.

Mr. PICKERSGILL: I do not think they should subsidize it at all, and the purpose of this bill is to get away from subsidies.

Mr. WINCH: You have subsidized here.

Mr. PICKERSGILL: Only for specific costed items. There is no general subsidy of any character in this bill; the whole purpose is to find out what

these services really are costing, and if they are worth continuing in a social interest but are not economic, then we are prepared to pay something for them, but if they are not worth enough socially and they are not paying the idea is to do away with them. So, this is to put the whole thing on a paying basis and not make it a drain on the treasury.

Mr. WINCH: I have one more question. As I pointed out, under 52-202 this committee can get information on the Canadian Pacific Railway.

This committee seeks information from the railway companies of aids whether by land or by money. But if we check, as I have checked, catalogue No. 52-201 of the Canadian National Railways, there is no way by which we can obtain that information, similarly in the case of the Canadian National Railways. Most of them go back to the Grand Trunk, as well as to the Canadian Northern Railway. Is it possible to obtain that information concerning land and grants and so on?

Mr. PICKERSGILL: I think it would be possible. It might be rather difficult because many of those companies have been extinguished in one way or another.

Mr. WINCH: I can assure you that when I read about the Canadian Pacific Railway a lot has been taken over, and yet company by company the information is there.

Mr. PICKERSGILL: I will have the matter looked into, and I shall be glad to se what can be done. Offhand I do not know what state those records would be in; it would involve quite an historical research project for somebody.

It is a fact that the Canadian National Railways are not making much revenue out of these things now. I do not know that it would have much bearing on the Canadian Pacific Railway.

Mr. WINCH: Now that the minister is here may I repeat my last question, that is the question of the transport commissioners not having prime authority over certain actions, but that the commission of three, under the Minister of Agriculture will have final authority. Can you give us any information why the prime authority should not rest with the board of transport commissioners.

Mr. PICKERSGILL: Well, I think it was felt—as I understand the views of those who originally drafted this legislation, and certainly speaking for myself, I can say—that there was a very considerable feeling that since most of the rail line abandonment that was in contemplation was on the prairies and was directly related to the carriage of grain, it was felt that the problems that were to be dealt with there were not the kind of problems that the board of transport commissioners normally concern themselves with, but a very different kind of problem, such as the question of whether if this branch line might be losing money, it was still in the public interest to keep it going. We thought there ought to be a special board set up to evaluate those considerations, one which understands perhaps better than the kind of people who are normally appointed to serve on the board of transport commissioners.

Mr. WINCH: Has this not always been the responsibility of the board of transport commissioners?

Mr. PICKERSGILL: Yes, it always has, and there has always been a good deal of complaint about it, particularly from the grain growers of the west. It was felt that if we attempted to rationalize the railway structure in western Canada in order to keep down the cost of the cartage of grain within reasonable proportions and yet make sure that we dit not deprive the western farmer of the essential facilities to carry his grain, we needed some people who have special competence to look at these problems. It is not so much to look at the problem of the railways, which is what the board of transport commissioners is primarily concerned with, but rather to look at the problems of the

users of those lines, and their importance in the whole Canadian economy, and particularly in the economy of the prairies.

The CHAIRMAN: Now, Mr. Lloyd.

Mr. LLOYD: Mr. Chairman, I have a question supplementary to Mr. Winch's observation with respect to subsidies. I refer to the historical grants of land to the railways to induce them to undertake construction of these systems of rail lines. I am only familiar with what our economic history tells us about it. I do not know the technical relationship or responsabilities between the government and the Canadian Pacific Railway or the Canadian National Railways. It would seem to me that in so far as rate making is concerned what you say is profoundly correct, that you have to keep a rate structure which maintains the competitive position of the alternative transportation systems which are available to the users. The only other thought I have in mind is this: you will still be involved in or exposed to subsidy operations; and there will still be those cases where the government by way of policy may want to maintain certain services and are willing, it may be, to undertake to pay some further subsidy for that purpose.

I think before this bill is passed once and for all we should examine the past conditions of land grants, and whether there is any expressed or implied obligation on the part of the railway companies to carry through certain responsibilities. I think this should be cleared up. Maybe it has been done already. I do not know, but it certainly should be cleared up.

Is there any express or implied obligation on the railways at least the negotiations with respect to these subsidies that you might get exposed to might be worth looking at, even though it does not affect the railroads.

Mr. PICKERSGILL: I think that is a matter which is bound to be debated very hotly, and on which there will be conflicting views. I shall endeavour between this time and the time this bill goes before the House of Commons at the next parliament to look into it for you. I do not know that we can do very much about implied conditions, because it would depend on the nature of the implications. But as far as explicit conditions attached to any of these grants, not necessarily the land grants, or any advantages given to the Canadian Pacific Railway or indeed to any of the ancestors, if I may put it that way, of the Canadian National Railways are concerned they might be looked at.

Mr. LLOYD: I am only suggesting it, Mr. Pickersgill, really as a procedural step to be taken in anticipation of a debate so that the debate will at least be on questions of fact and not on suppositions.

Mr. PICKERSGILL: I much prefer to find out the facts rather than to argue about what they are.

The CHAIRMAN: Now, Mr. Muir.

Mr. MUIR (*Lisgar*): I would like to inquire a little further into the subject of rail line abandonment. As you know, the amount of abandonment requested on the prairies by the two railway companies has been variously estimated at from 3,000 miles up. Now obviously, anything of that magnitude is going to cause dislocation particularly in regard to our export grain situation. But as I understand it, the railways feel it is in the national interest, and the government is prepared to pay a certain subsidy in order to keep those lines open. Is there any feeling that you have in mind as to the total amount of subsidy that you are willing to pay to the railways?

Mr. PICKERSGILL: The figure in the bill is $13 million per annum.

Mr. MUIR (*Lisgar*): Is this going to be paid on top of the subsidies we are already paying them?

Mr. PICKERSGILL: No. The so-called subsidies that are now paid, the $20 million rollback, I think it is usually called, and the $50 million which came

about at a somewhat later date, that $70 million roughly is contemplated to disappear when this bill comes into operation, and the only subsidies which will then be paid are those which are included in the bill.

Mr. MUIR (*Lisgar*): I suppose it is a little too early particularly because we have not set up the authority to deal with this situation; but do you have any guess of the number of railway lines or miles which can be kept open with that $13 million a year?

Mr. PICKERSGILL: No. I just think it would really not be very helpful for me to guess, because I think one can say with certainty that no government is going to allow a line to be abandoned that is carrying a large quantity of grain, whether or not the losing position of that particular branch may be good or otherwise. On the other hand, I think you know there is a classical case in Manitoba where there were two lines on the south side of the Assiniboine running between Portage la Prairie and Winnipeg, which ran at times only about 100 yards apart; and that the Manitoba government made a request that we should not even defer abandonment of one of those lines, but they later withdrew it. I do not know why. But they certainly wanted to build a highway along there. There really is not much excuse to have both of them there. They are both Canadian National lines side by side, and it would not cause any hardship to any farmer to have one of them taken out.

Mr. MUIR (*Lisgar*): I have another question which comes to my mind. Before any abandonment is allowed, there are certain things which have to be done.

Mr. PICKERSGILL: That is right.

Mr. MUIR (*Lisgar*): One of them is that once a railway abandons a line it immediately places the costs of transportation or the means of transportation, that is the road system, on the provincial government or on the municipalities. I would hope that no line would be abandoned before those facilities were at least up to the standard that they could to some degree at least replace the railway line in the job that they have to do.

Mr. PICKERSGILL: That is precisely one of the factors that the rationalization authority would have to take into account.

Mr. FORBES: May I ask a supplementary question? In order to arrive at how far this $13 million subsidy would go, is the subsidy to be paid on a per bushel basis or on a per mile basis?

Mr. PICKERSGILL: Neither one of them. It is to cover the loss on the line, whatever it may be. If the railway makes a case that it wants to abandon a line because it is losing money on that line, the authority will say you have to keep it open because it is in the public interest; and then they will look at the account at the end of the year and pay the loss.

Mr. FORBES: You mean the total loss on that particular line?

Mr. PICKERSGILL: Yes, on that particular line.

Mr. PASCOE: My question has been asked. But I have a map here showing what are mostly Canadian National Railway applications for abandonment.

Mr. PICKERSGILL: You know how they arose?

Mr. PASCOE: Yes. Now that this bill is going to be withdrawn, and it may not come back next year, what is the situation with respect to these applications for abandonment?

Mr. PICKERSGILL: They are all completely frozen and they will stay that way. The railways are not proceeding with any of these applications. I do not think they are proceeding with any on the prairies, although we nearly did proceed with one of which I spoke to Mr. Muir. In some other parts of the country there may be a few cases where they are being proceeded with

because nobody thinks the line ought to be there. But as far as any very long lines are concerned, they are all frozen.

The CHAIRMAN: Now, Mr. Stewart.

Mr. STEWART: I have two questions. At page 162 of volume II of the report of the royal commission a suggestion is made for the establishment of a transportation advisory council. Evidently it was thought that the legislation which is now being considered would be incomplete, that is, it would not completely cover the transportation field inasmuch as some advisory council should be established. The railways understand that the present legislation will be supplemented sooner or later, but preferably sooner by implementation of this recommendation.

Mr. PICKERSGILL: I think I would hesitate to try to answer that question because we came to the conclusion that we could not do this at the same time as this bill. As my colleague, the Minister of Labour, said in the house the other day, I do not like to set myself a deadline. There is no firm decision made by the government to do this yet.

Mr. STEWART: But it has been considered?

Mr. PICKERSGILL: It is under consideration. There are quite a number of aspects of the MacPherson report which are not comprehended in this bill. I do not think any of them have been categorically rejected that I can recall.

Mr. STEWART: My point in asking the question is obviously that we have in a sense a complete approach to certain transportation questions in the report, yet here is one recommendation which at the moment you seem to have set aside as far as this legislation is concerned.

Mr. PICKERSGILL: That is right.

Mr. STEWART: My second question moves from the Pacific to the Atlantic. I want to refer to page 203 in volume II of the MacPherson report where it refers to the Maritime Freight Rates Act of 1927 and says:

> The objectives which were put forward in 1927 for the policy of transportation rate reduction in the selected maritime territory are now incompletely being achieved because of the growth of competition.

And then in volume I at page 19 we are told the following:

> —it would appear that an attempt is being made to preserve the traditional railway rate structure, based on differential pricing and cross subsidization, by means of the profits obtained by increasing the level of rates in the residual monopoly areas of the transportation system—

My question is this: is it the firm belief of the government that the area specifically affected by the Maritime Freight Rates Act will be in a better position relatively after the enactment of this legislation than it is now in?

Mr. PICKERSGILL: I think I would like to consider that question before I gave an answer. As you know, Mr. Stewart, what we have done in my department, or what we are planning to do in a more extensive way with agencies other than my department is to make a study of the whole problem of transportation in the four Atlantic provinces with a view to making sure that the amounts of money that are now being paid for transportation—not just for the Maritime Freight Rates Act, although that is a very big part of it, but also the other several sums being paid out of the treasury—are being used in the best possible way to provide the best possible amount of transportation. That is one of the reasons that this problem is not dealt with in any new fashion in the existing legislation. What we are trying to do at the present time is to preserve every existing advantage, while the study is being completed.

Mr. WINCH: I have a supplementary question. Does that mean that basically you have in mind the equalization of freight rates across Canada?

Mr. PICKERSGILL: I think that would strike terror in the heart of anyone who resides in a constituency in any of those four provinces because the whole basis of the charter on reconfederation of 1927—it was called the Duncan commission—was that these provinces had a geographical disadvantage as compared with the rest of Canada, and that they should be compensated for that disadvantage.

Mr. WINCH: Does that include British Columbia as well as the maritimes?

Mr. PICKERSGILL: The Duncan commission dealt with the maritime provinces. British Columbia is compensated in so many ways as we all know, such as its higher standard of living, its higher wages, and we are always told that everybody wants to go to live in British Columbia.

Mr. STEWART: I would like to ask the minister, in view of the fact that we have only a part of what is eventually a developing plan for transportation here before us, if he would not appreciate in essence that some of us who come from the Atlantic area have not this particular part of the legislative plan. I would like to hear the minister's comment on that.

Mr. PICKERSGILL: Well, I would think that as long as we are making absolutely sure that there is no injury done to and no advantage taken away from the maritime provinces they would have just as much advantage as any other part of Canada in seeing the burden of the $70 million annual subsidy which we are now paying to the railways removed from the treasury, because those resources could then be used in a more constructive way to deal with special problems of transportation in parts of the country where they need to have special consideration.

Mr. STEWART: A moment ago I asked a question and the minister said that he wanted to think it over. I assume this means we will have an answer in the same way as there will be an answer to the questions that we asked this morning?

The CHAIRMAN: I assume so.

Mr. PICKERSGILL: I hope you will not try to read my mind too far ahead.

The CHAIRMAN: Now, gentlemen, we were examining the submission made by Mr. Darling and Mr. Cope and, as I said, at this afternoon's meeting we would finish the section on rates and then go on to the section on the Crowsnest pass.

Mr. WINCH: On rates do you include passenger rates?

The CHAIRMAN: No.

Mr. BALDWIN: That is a separate question under subsidies.

Mr. WINCH: Is the minister going to be able to be with us at our other meetings; if not, I think perhaps I should ask questions while the minister is here.

The CHAIRMAN: We could devote the next half hour to this.

Mr. PICKERSGILL: If you would agree that I might leave at 25 past five because at 5.30 I have a meeting with the shipbuilders and I would like to have five minutes to compose my mind and change gears.

Mr. MUIR (*Lisgar*): Mr. Chairman, I would like to have the minister assure us that there will be no changes in the Crowsnest pass rates so far as grain problems are concerned.

Mr. PICKERSGILL: I already have said that once and I would be delighted to repeat it. I was brought up in the prairies myself and the Crowsnest pass rates are a part of the constitution.

Mr. WINCH: Mr. Chairman, I am asking this question now because the minister is here. Perhaps he can give information not otherwise available. I would like to ask the minister whether he can comment on the entire question of the railroads' passenger service. I ask that, Mr. Chairman, because admittedly I am most concerned. Recently I have read a great deal in the newspapers about the C.P.R. and the C.N.R. being interested in the maintenance and building up of passenger service. However, I do not believe it and I challenge that statement. I would like to know whether the minister can give us any information on this. When I say I challenge this, I will illustrate it, because in the past ten months I have had a suspicion that one way or another, irrespective of expenditures and statements by the officials of both railroads, they deliberately are trying to kill the passenger service.

May I very briefly say that I definitely arranged for people to telephone from Vancouver asking for either a duplex or a stateroom and time after time the answer was that these were not available. Then I telephoned personally and got the same answer. Then I telephoned saying this is Harold Winch, M.P., calling, and I got it. Then I had a check made on the sleeping cars on the days on which the people I had asked to telephone could not get reservations and I found that the sleeping cars were half to two-thirds empty. I deliberately have been following this policy now for ten months. I question just what is the position of both railroads and I question whether they really want passenger service, or whether they are trying to drive people to Air Canada or C.P.A. This is my experience. What is your knowledge of this matter? Are you convinced that both railroads are interested in building up passenger service?

Mr. OLSON: Surely we were told only a few moments ago that there is something on passenger service in another part of the bill, but that before we go into that part of the bill we should complete the discussion on tariffs.

Mr. PICKERSGILL: I think, Mr. Olson, there was an understanding that since I am here now and might not be able to be at the next meeting that there would be an opportunity to ask me any questions relevant to the bill.

Quite frankly, Mr. Winch, I do not know the answer to that question. I do not attempt to run either railway. It is beyond the functions of the Minister of Transport to do so. Once in a while somebody calls my office and says I cannot get a berth on the train or something of that sort, and, Mr. Chairman, often they say they cannot get on Air Canada and would I do something for them. We always try to help in every way we can. However, I cannot believe that the railways are deliberately trying to haul their cars around empty; it could be. We are going to have the railways here as witnesses and I would think that is the time to find out. You can cite your case and give them the hardest time possible.

I just do not know the answer. I do not think it really is part of the function of the Minister of Transport to find out. The government, as such, is not in the passenger business. It is the railways that are in the passenger business.

Mr. WINCH: You say it is not the responsibility of the minister and, on technical terms, I completely agree; but the carrying of coaches is a part of the cost of operation of a railway.

Mr. PICKERSGILL: Yes.

Mr. WINCH: If there is a policy whereby they are carrying at less than half capacity and yet say there is no space available, then surely that comes in as part of a consideration of whether or not they are running economically.

Mr. PICKERSGILL: One thing about this bill is that if it becomes an act of parliament we will find that out, because it will be our business. Under this

legislation we are proposing to pay a subsidy to the railways, on a declining basis, to the passenger service. If the passenger service is being operated at a loss, it would be charged to the shippers of freight, as some shippers think it is now. We did not think that people shipping wheat, steel, mattresses or furniture should have to pay for somebody else's passenger transport. We are proposing, on a scale which will diminsh from year to year, and ultimately end, to provide a subsidy for passenger service. Once we do that we are going to look at the accounts of every one of these things, because then we will have a responsibility which we do not have now. If some of these lines are being run and are trying to discourage passengers in order to gain a higher subsidy, the railways themselves will lose on this scale, because it diminishes from year to year.

Mr. PASCOE: Would the minister put these subsidies on the record?

Mr. PICKERSGILL: They are in the bill.

Mr. GRANGER: I listened with intrest to the minister make his heartening acclamation respecting the constitutionality of the Crowsnest pass rates and I wonder whether he can give us a similar assurance that the freight rate structure between the Atlantic ports of Montreal and the far eastern province shall remain inviolate despite the new legislation?

Mr. PICKERSGILL: You mean the rail rates?

Mr. GRANGER: Yes.

Mr. PICKERSGILL: Well, I would have to take that question under very serious consideration. I think probably if there might be some chance of them diminishing, you would not want them to be inviolate. I can assert that the government intends to preserve all the advantages accruing to the Atlantic provinces, and the eastern part of Quebec, since it comes under the Maritime Freight Rates Act, but this does not mean that some day we may not introduce legislation which will increase those advantages. However, there is a determination that in no circumstances will they be diminished.

Mr. GRANGER: The advantages will not be diminished. I might say that I do not consider that diminishing of the rates is in any way a violation.

I would like to make one observation. When I heard Montreal described as an Atlantic port, I felt very close to home.

Mr. REGAN: Mr. Chairman, I might ask the minister whether he realizes that many transportation authorities in the Atlantic region are not in agreement with the officials that the protection granted by the Maritime Freight Rates Act will continue unabated or undiminished after this act comes into being, because even if the maritime freight rates assistance act stays in force to protect the level there, if this act has the effect of depressing real competition elsewhere in the country, then the beneficial rates to be drawn from the Maritime Freight Rates Act, we contend, will diminish.

Mr. PICKERSGILL: I am sure that you will move heaven and earth to see that no such disadvantage accrues to the maritime provinces.

Mr. REGAN: These remarks show insight into character on your part, Mr. Pickersgill.

The CHAIRMAN: Are there any other questions of the minister? Thank you very much, Mr. Pickersgill.

If there are no other questions, we will carry on with the submission by Mr. Darling and Mr. Cope. We are on the grain rates—the Crowsnest pass rates—which will be found in clause 16 on pages 17 to 22. Are there any questions?

What is the next subject?

Mr. DARLING: Passenger deficit.

The CHAIRMAN: This is found at pages 12 to 14. Are there any questions?

Mr. FOY: They all have been answered.

The CHAIRMAN: What is the next group?

Mr. DARLING: It will be the branch line rationalization.

Mr. OLSON: On the matter of the passenger deficit, has the minister or the board of transport commissioners looked into the manner in which the Canadian Pacific Railway, in particular, and perhaps both railways, go through the mechanics of making reservations for space? In respect of Mr. Winch's comments, I might say that from the experience I have had and from the experience of people in my constituency, there is very definitely a degree of truth in this. They have been turned down for weeks, and in some cases for months, in their attempts to get reservations on the C.P.R. passenger trains, particularly the Dominion. I asked this question on the floor of the house and the acting minister of transport, Mr. McIlraith, undertook to refer the question to the Canadian Pacific Railway and obtain some kind of an answer to this question. The report came back through the board of transport commissioners that on every one of the days over that period we had complained about there was in fact empty space on the trains that I had complained about. If there is some kind of an antiquated way of answering these reservations so that they do not have any control at all over what the air lines refer to as "No show" after a reservation has been made, I think first of all I would like to know if there has been any study of this problem and if not, whether there is some way in which we could have a report from the railways or a request of the railways to have this information for the committee when they appear before us.

There is absolutely no doubt in the minds of the people in my riding; they believe the railways deliberately are trying to discourage the use of passenger trains with a view to making an application for their discontinuance some place down the line.

Mr. WINCH: Then your experience is the same as mine?

Mr. OLSON: Exactly.

Mr. KINDT: May I confirm, from my own experience, that the railways are doing everything possible to discourage passenger traffic. If anyone is in doubt about that, all he has to do is travel on a train and speak to the conductor or the trainman. I do not want to blame them for divulging information, but they have their views and they are willing to express them. I have had this view expressed to me on a number of occasions; that is, that there is a deliberate attempt on the part of the C.P.R. to curtail passenger service.

On the question of getting berths, on occasion I have telephoned and waited for a day and a half for the people in Calgary to give me word whether or not I could obtain a berth from Calgary to Ottawa. The delay in time in giving that information, when it is just a matter of telephoning Vancouver, is unpardonable.

Mr. WINCH: How many vacancies did you find when you boarded the train?

Mr. KINDT: The train was half empty.

Mrs. RIDEOUT: I would like to make an observation regarding this passenger subsidy. This rather disturbs me, because it seems to me that whenever anything new is attempted it always is started in the maritime area, which is true of the red, white and blue fares. I think it is rather a shame that it is not generally known that in the maritime area there is not a deficit in the passenger service; they do not go behind financially; but when you have the over-all picture, we are included with the whole group. Is it true that in the maritime area they do not have to be subsidized for passenger service?

Mr. COPE: I would think the railways would have to answer this, but if it happened that the railway loses no money on passenger service, to that extent there would be no subsidy paid.

Mr. COWAN: Are there so many people leaving the maritimes that there are no deficits on the passenger service?

Mrs. RIDEOUT: They are all coming to the maritimes.

The CHAIRMAN: There are representatives of the railways here and I suppose these remarks are noted and I expect they will come prepared to answer this particular type of question when we resume the sittings of the committee. However, I hardly think the minister could answer this specifically.

Mr. OLSON: I would like to know whether the minister or his officials can answer now whether they have asked the railways for a report in respect of the system they use in taking reservations when people are being turned down and there is space there every day.

Mr. PICKERSGILL: Well, I can say quite categorically that in the thirteen months I have been Minister of Transport I never have. I do not know whether or not any of the officials have. But, perhaps it would be interesting if Mr. Cope or Mr. Darling could tell us precisely what jurisdiction the board of transport commissioners has over passenger traffic. I do not think my department has any jurisdiction as such. Perhaps we ought to have someone from the board of transport commissioners come to the committee and explain the economics of their control over it because, quite frankly, I could not answer it.

Mr. DARLING: Mr. Chairman, I might say that one of the purposes of the board of transport commissioners is to hear complaints on this matter of service provided by the railways. I do not know whether or not they ever have been approached on this particular problem.

Mr. BALDWIN: But they do not have jurisdiction over the internal management of reservations.

Mr. DARLING: No, only in the adequacy of the facilities provided.

Mr. WINCH: You say the adequacy of the facilities provided.

Mr. DARLING: Of the service generally.

Mr. WINCH: Then it does not apply to being able to get on board so as to take advantage of that.

Mr. PICKERSGILL: There seems to be a good deal of interest and several members of the committee have put questions. I must confess I am quite interested and I would be glad to be instructed about it. Could we ask to have the chairman of the board of transport commissioners come and tell us precisely what the situation is. After all, he administers the act. I think it would be helpful to know what jurisdiction he has in the matter. He may be able to throw some light on this question of passenger subsidies, which we are going to have to consider in respect of the new bill.

The CHAIRMAN: Is that the wish of the committee?

Mr. WINCH: Mr. Chairman, that is my very point. I am glad the matter has been raised and I hope this can be done. If we are going to consider passenger subsidy it is not only adequacy of facility we should be considering but other things as well. They try to stop you boarding but when you do get on you find that one half or two thirds of the train is empty. I would like to know why we have to wait a week before we are told whether or not there is a reservation available. When we finally obtain a reservation we find there are more vacancies than there are occupancies.

Mr. PICKERSGILL: That question ought to be addressed to the C.P.R. It would be interesting to know what jurisdiction the board of transport commissioners now has. I do not think the present witness would wish to define that. I think it would be better to obtain that information from the chairman of the board of transport commissioners, who administers the act.

Mr. OLSON: Mr. Chairman, I could not answer whether or not the board of transport commissioners ever received a complaint but this matter has been raised in the House of Commons on a number of occasions. I am referring to people waiting four or five weeks for a confirmation of reservations and, to me, this would indicate an inadequacy of service. On that basis surely the board of transport commissioners would have an indication that something needed to be investigated.

The CHAIRMAN: Have you a question, Mr. Hahn?

Mr. HAHN: I have a simple question, Mr. Chairman, in connection with the abandonment of passenger services.

Section 314 (*i*), sub-section 5 is the section that states where an adequate highway system exists the board may approve the discontinuance of a passenger train service and so on. Does this mean that the philosophy behind the bill is that if proper bus or private car transportation is available the public good is adequately served and passenger trains then could be taken off?

Mr. PICKERSGILL: Well, you know the classic story about a railroad that was supposed to have been located in the Ottawa valley. There was an inquiry before the board. I do not know where it happened but, the hearing was held and then the chairman suddenly said: "I must adjourn the meeting so you will not miss your train." All the complainants said he need not worry about that because they all came by car. There were no passengers on the train that day.

Mr. WINCH: Mr. Hahn raised an interesting point, which I intend to bring up later. As I read this there is certain authority in respect of the abandonment of the passenger lines. We have read quite a bit during the last six months on suggestions with regard to dayliner services and the speed-ups in between. That is just fine if you are going between Edmonton and Calgary and Vancouver and Kamloops, but if you are going from Vancouver to Ottawa it is a different matter altogether. Now, surely there are going to be some promises that in respect of the transcontinental traffic there will not be any abandonment; there must be provision for long distance travel, whether it is Vancouver to Ottawa or Vancouver to Regina. You just cannot have a dayliner service and a lunch-counter meal. Is there not going to be protection in this regard?

Mr. COPE: There are two criteria that have to be met before passenger train service can be discontinued. The first is that there is an adequate highway system connecting the principal areas on the line and, second, the service has to operate at a loss. Now, if a main line service were to qualify it would have to be operating at a loss also.

Mr. WINCH: The trans-Canada highway system is a mighty fine system between Ottawa and Vancouver but I would not want to travel that route by bus, say, from Vancouver to Ottawa.

Mr. COPE: I take it your feeling is that the main line service of the railways is losing money? It has to be losing money before it can be put up for abandonment.

Mr. WINCH: My understanding was that part of this act would take care of some of these problems with which we are faced.

Mr. FOY: Some of them would not need to lose money if they co-operated in making reservations.

Mr. KINDT: Mr. Chairman, before the minister leaves, may I suggest to him that he spell out the procedure of computing costs, the analysis of these costs and what goes into it, upon which decisions are based. Before the legislation under which this board will operate can be properly evaluated I think we should know more about how those costs are going to be computed be-

cause on that will rest the decisions which are to be made. Are we giving every consideration to sorting out the procedures to be followed?

Are we giving every consideration to sorting out the procedures to be followed?

Mr. PICKERSGILL: There is going to be no new board set up as far as passenger service is concerned. The board of transport commissioners will deal with it, while the new board will deal with abandonment and rationalization of rail lines, but not with passenger services. However, I think your point is well taken and I am sure that one of the witnesses will be able to explain the principles upon which these costs are determined.

Mr. WINCH: It is most important when you consider the Kettle Valley line in British Columbia which has a rail passenger service from Vancouver all the way through to Nelson and on to Alberta. They would abandon that passenger service.

Mr. PICKERSGILL: I wonder, in view of those people who have come from all over Canada, if we and Mr. Darling might be excused?

The CHAIRMAN: I think a moment ago Mr. Cope had not finished his answer to a question about transcontinental passenger service.

Mr. COPE: Getting back to this question of main line passenger service, before a request is filed for abandonment of any main line service they would have to be convinced by furnishing proof to the board of transport commissioners that they were losing money on that particular service. I think the intent of the rationalization spelt out in this bill is to eliminate unprofitable section of their passenger service, although there would be sections which are earning a profit which they would keep on for a good period of time.

Mr. WINCH: That is my third point, Mr. Chairman. If we know that on a transcontinental service we are losing money, then under what is proposed they need to cease that transcontinental service.

Mr. COPE: If that criterion were made, the board of transport commissioners could grant a permit to the railways to abandon the service.

Mr. WINCH: They would have to get the permission of the board of transport commissioners to abandon it?

Mr. COPE: Yes, and they would have to prove first that the principal points of the line were connected by an adequate highway system, and second, that the service in question was losing money.

Mr. WINCH: I sincerely hope that it is done very soon because nearly every major point in Canada is connected by a good highway service and I would hate to have to use the highway service between Vancouver and Ottawa instead of travelling by train.

Mr. STEWART: My question is this: Is there any provision proposed in the legislation to prevent the railways from deliberately losing money on those lines? How is this policed?

Mr. COPE: The board of transport commissioners have certain powers under section 315 of the Railway Act. Mr. Pickersgill has mentioned having the chairman of the board of transport commissioners speak to us on the extent that they control the different classes of passenger train operation, and I think at that time this kind of question would be better dealt with.

Mr. STEWART: You said there may be conditions in the present legislation.

Mr. BALDWIN: I think so. They will first of all not require a railway to maintain a losing service if they can prove that it is losing money. There is no legal obligation on them to continue a losing service, because it is a disappearing subsidy, and at the end of five years there is no more subsidy. But if there is some reason to believe that they are making it lose money through deliberate inefficiency on their part, then you can turn to an investigation by the board,

and I am pretty sure there are adequate provisions there to take care of the situation. But I think it would be wiser for the chairman of the board himself to speak to it.

Mr. STEWART: I would like to put this question on record now: Upon whom does the onus rest to prove whether or not the railway was making adequate use of its facilities for passenger services? Does it rest on the railway or upon the party complaining?

Mr. BALDWIN: The decision would rest in the hands of the board making the investigation. But the procedure generally is that you proceed on the basis of a complaint that is registered with you, and the jurisdiction rests in the board which has to determine the facts.

Mr. SOUTHAM: Mr. Chairman, following up this question proposed by Mr. Kindt, and referring to line abandonment and particularly to the criterion of losing money, we have to take our minds back to the royal commission when this whole question was under study and when quite a dispute arose. One railway had one formula, and when the royal commission went across the country it came upon another formula; then I think it got up to three; and if I remember correctly there was a very wide discrepancy as to what was an uneconomic line. I think in this legislation we are getting down to the crux of it: first, to come up with some satisfactory agreement, and then decide upon a formula that we are going to agree to before the board of transport commissioners. What I had envisaged was that the rationalization board would have some teeth so that they could be satisfied that the past principles were accurate before they would allow a line to be abandoned.

Mr. BALDWIN: I think the answer to that is in the statute. The responsibility for determining the cost, in the final analysis, would be vested in the board of transport commissioners.

Mr. PASCOE: Under Bill No. C-120, which is not going to be passed, I think there now are these subsidies to put the passenger service on a paying basis, and so on. Is there any chance of No. 7 and No. 8, the Dominion, coming off very shortly on the Canadian Pacific? Could they come off before this bill is passed?

Mr. COPE: First of all, the board of transport commissioners in the first instance gives consideration to this.

Mr. PASCOE: It would have to be proven that they are losing money?

Mr. BALDWIN: No. Any case arising out of abandonment of service, before the passage of this legislation, would have to be dealt with under the existing legislation which also does require authorization by the board of transport commissioners.

Mr. PASCOE: Would you know whether any application has been made?

Mr. BALDWIN: Not that I am aware of.

Mr. OLSON: Is it a fact that the C.P.R. does have authority to reduce service without application?

Mr. BALDWIN: Yes.

Mr. OLSON: It is only for abandonment that they have to apply?

Mr. BALDWIN: Yes. There is a difference between a reduction in service and an abandonment.

Mr. MACEWAN: Mr. Baldwin just said that the test is laid down by the board of transport commissioners and it has not been changed in this legislation.

Mr. BALDWIN: In respect of abandonment, in the sense that the two criteria Mr. Cope indicated are placed in the bill, the theory has been adopted that a railway should not be required to lose money. Under these criteria we will pay a temporary declining subsidy until this situation is straightened out.

Mr. MACEWAN: What the board actually has decided has been put into writing?

Mr. BALDWIN: In a sense.

Mr. MACEWAN: And the public interest is the important thing.

The CHAIRMAN: It is now 25 minutes to six. Do you wish to keep this meeting going or would you like to adjourn until Thursday at 9.30 a.m.? We will have these gentlemen back. May we assume that the chairman of the board of transport commissioners will be here?

Mr. COPE: We will do our best to make sure, sir.

The CHAIRMAN: The minister had a wire from Mr. Whittaker of the Coal Operator's Association of Calgary who wishes to present a brief on Thursday. Will it be the wish of the committee to hear him on Thursday?

Mr. STEWART: Is he going to read the brief or will we have it in advance?

The CHAIRMAN: I understand he may be here tonight or tomorrow. If he has a brief when he arrives we will distribute it before Thursday.

We will adjourn until Thursday at 9.30 a.m.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

THURSDAY, MARCH 4, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

From *Board of Transport Commissioners for Canada*, Messrs. Rod Kerr, Q.C., Chief Commissioner, R. M. MacDonald, Director of Operation; from *The Coal Operators' Association of Western Canada*, Messrs. William C. Whittaker, Managing Director, Robert L. Banks; and also Mr. H. J. Darling, Director of Economic Studies, Department of Transport.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21821—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.
and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Foy
Godin
Granger
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Macdonald
Marcoux
Matte
McBain
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Pugh
Rapp
Regan
Rheaume
Rideout (*Mrs.*)
Rock
Southam
Stenson
Stewart[1]
Tucker
Watson (*Assiniboia*)
Winch—60.

(Quorum 12)

Marcel Roussin,
Clerk of the Committee pro tem.

[1] On March 4, 1965, Mr. McNulty replaced Mr. Stewart.

ORDER OF REFERENCE

THURSDAY, March 4, 1965

Ordered,—That the name of Mr. McNulty be substituted for that of Mr. Stewart on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest

LEON-J. RAYMOND,
The Clerk of the House.

21821—1½

MINUTES OF PROCEEDINGS

THURSDAY, March 4, 1965
(29)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 10.00 o'clock a.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Addison, Armstrong, Cantin, Cowan, Crossman, Deachman, Fisher, Foy, Godin, Granger, Macdonald, Marcoux, Matte, Regan, Richard, Rock, Stewart, Tucker, Winch—(20).

In attendance: From *Board of Transport Commissioners for Canada, Ottawa,* Messrs. Rod Kerr, Q.C., Chief Commissioner; R. M. MacDonald, Director of Operation; From *The Coal Operators' Association of Western Canada,* Mr. William C. Whittaker, Managing Director; From *R. L. Banks & Associates, Inc.,* Mr. Robert L. Banks, President; From the *Department of Transport,* Mr. J. R. Baldwin, Deputy Minister; Messrs. H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company;* Mr. J. J. Frawley, *Province of Alberta;* Mr. Alastair MacDonald, Q.C., and a representative from the *Canadian National Railways.*

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman introduced Mr. Kerr, Q.C., Chief Commissioner, Board of Transport Commissioners for Canada, Ottawa, who was examined at length by the Committee.

Mr. Whittaker, Managing Director, The Coal Operators' Association of Western Canada, read a prepared brief which had been distributed in English to the Members of the Committee. The witness was questioned by the Committee and released.

The Chairman informed the Committee that for the next meeting on Tuesday, March 9, the following witnesses would be invited to appear:

North-West Line Elevators Association,
Winnipeg, Manitoba.
(Mr. R. H. Weir, Secretary-Treasurer)

Branch Line Association of Manitoba,
Winnipeg, Manitoba.
(Mr. Remi Depape, President)

National Farmers Union,
Saskatoon, Saskatchewan.
(Mr. James McCrorie)

At 11.25 a.m. the Committee adjourned until 9.30 a.m. Tuesday, March 9, 1965.

Marcel Roussin,
Clerk of the Committee.
(pro tem)

EVIDENCE

THURSDAY, March 4, 1965.

The CHAIRMAN: We have a quorum, gentlemen. At the last meeting it was suggested that we should have the chief commissioner of the Board of Transport Commissioners for Canada for a brief time with us to allow certain questions to be put to him about passenger service on the railways. I thought we might dispose of this item at the beginning of this meeting, following which we would have Mr. Whittaker, who is the managing director of the Coal Operators' Association of Western Canada, who have indicated that they wish to present a brief to us this morning.

Mr. Kerr is with us. Are there any questions?

Mr. WINCH: One of the key points at our last meeting was about the authority of the board of transport commissioners regarding both passenger fares as well as the operation of passenger service, and whether or not there are facilities, and if there is evidence that although facilities might be there, they are not being used for one reason or another. That was one interesting point that we had about your power.

Mr. Rod Kerr, Q.C. (*Chief Commissioner, Board of Transport Commissioners for Canada*): Well, Mr. Winch, and Mr. Chairman, the jurisdiction of the board is basically regulatory, as I think the committee members know. In respect of passenger services generally I would refer you to section 315 of the Railway Act which provides for the accommodation for traffic, and provides that the company, subject to the Railway Act, shall according to its powers furnish adequate and suitable accommodation for the carrying, unloading, and delivering of all such traffic.

Now, the section is longer than what I have cited, but that is the general purport of it. And I would refer you to section 33 which says that the board has full jurisdiction to inquire into, hear, and determine any application complaining that any company has failed to do anything required to be done by the Railway Act or special act or the board's regulations. So our jurisdiction, generally speaking, in respect of passenger services stems first from the obligation of the railway companies to provide or furnish adequate and suitable accommodation for traffic. That in the first instance is a managerial function, because the railways decide what trains to run and when the trains shall run.

The board can only come in if there is some complaint or something drawn to the attention of the board which indicates that the railways are not fulfilling their statutory obligations. Consequently, when the board does receive complaints, or when through its own staff it is made aware of certain conditions, the board has power to inquire into the situation to see whether or not there is a violation of the Railway Act by a railway company, or some non-observance of the requirements of the Railway Act to provide adequate and suitable accommodation for traffic.

Mr. WINCH: Now I shall ask my second question, and I put it to the chairman of the board of transport commissioners to state whether or not it is a type of question which he can answer. If you are in a position to do so, could you give this committee any information about the policy view of removing from the board of transport commissioners certain powers and placing them under another three man commission responsible to a different minister, namely, to the Minister of Agriculture, on such matters as branch line abandonment as this principle has been suggested.

Mr. KERR: The members of the board naturally have discussed the recommendations of the MacPherson commission not only as between themselves but with the board's staff. The board has not prepared any written formal statement. The board felt that the railway committee and parliament would be more competent than the board to decide such questions of national policy.

Mr. WINCH: Who is more competent than the board to consider matters affecting railways?

Mr. KERR: You are too kind to us. I was talking about general matters of national policy. I may say that the board has no objection whatsoever to this transfer of authority that you speak of.

Mr. WINCH: May I ask a further question, in view of the experience of the board. Was your opinion sought on this matter?

Mr. KERR: No.

Mr. WINCH: You say it was not.

The CHAIRMAN: Now, Mr. Addison.

Mr. ADDISON: As the head of the board of transport commissioners, does your jurisdiction fall into the area of passenger commuter services?

Mr. KERR: We have jurisdiction over commuter services.

Mr. ADDISON: Was your board brought into the discussion regarding commuter service that was discontinued, running into Toronto through Agincourt, which was deversed at a later date?

Mr. KERR: I do not know which of the particular services you are speaking of; the board held public hearings some years ago in Toronto in respect of commuter services provided there by the Canadian National Railways.

Mr. ADDISON: This was about six months ago.

Mr. KERR: Well, the board was not consulted about that. The railways may have made changes in the running of their trains which they have the power to do without first obtaining approval of the board. But if they make such changes and if the board receives complaints, the board then has power to look into the matter to see whether or not the changes should be allowed to go into effect.

Mr. ADDISON: On this question of passenger commuter service, it is fairly evident that the railway companies are resisting any extension or inauguration of this type of service for a variety of reasons. Under the power of your board can you request the railways to carry on a service of this type?

Mr. KERR: The board in the early 1950's, when the hon. Mr. Justice Kearney was the chief commissioner, spent some weeks on commutation problems as they were in the two main areas, Montreal and Toronto. Speaking from memory as to what the board decided at that time, the decision was that the board should not compel any railway to initiate commutation services which would not meet out of pocket expenses.

Mr. WINCH: May I ask a supplementary question?

The CHAIRMAN: Are you through, Mr. Addison?

Mr. ADDISON: I would like to ask one other question of Mr. Kerr. Therefore, the only avenue of initiating a form of commuter service from a less densely populated to a more densely populated area is by having the railways decide to do this themselves. Are there any other avenues?

Mr. KERR: I think the initiative of instituting commutation services lies with the railways themselves.

Mr. ADDISON: Well, if the railways see fit, or for one reason or another they cannot justify out of pocket expenses, do you not feel that the railways have an obligation to provide passenger service in a situation such as this?

Mr. KERR: You mean to do so at a loss?

Mr. ADDISON: At an initial loss, perhaps, but obviously this is going to have to come about.

Mr. KERR: Well, I can only repeat what the board decided some years ago, as I have already said, the board expressed a decision that it should not order the railways to initiate commutation services which would be operating at an out of pocket loss.

Mr. ADDISON: When you say "out of pocket loss", what do you mean?

Mr. KERR: Well, it is the bare cost of operating the service. Out of pocket loss is something which has been defined in very many ways. It has been called direct cost. In the commutation cases that we heard, when some of the members were present, at our most recent hearings in Montreal last year and the year before, the costs that were involved in commutation services were very fully put on the record at that time.

The Canadian Pacific Railway Company at that time stated in respect of the Montreal-Vaudreuil-Rigaud commutation service that it was operating at a very considerable loss and it asked for, or filed increases in commutation fares. The board refused to allow the fares to go into effect at the hearing, and very extensive hearings were held. The increases which were finally allowed to go into effect were less than would meet the out of pocket costs of the railways, especially what the Canadian Pacific Railway asked for at that time.

Mr. ADDISON: You say that if these out of pocket expenses do occur the board sees no reason why they should initiate a service. But if the province for one reason or another agreed to make up this difference so that the railway might operate at a break even point, would it then be possible to make representations to the board of transport commissioners to have such a service initiated?

Mr. KERR: Yes, but I would think that in that case the railways would very probably accede to the wishes of the authorities and institute the service so long as they felt they were not going to suffer a loss. In all the commutation cases we have heard the question of a subsidy by cities or other authorities has been very much to the fore, and we have been told what is being done in the United States in that respect, or in some areas of the United States. But at the present time there is no passenger train subsidy for commutation service.

Mr. ADDISON: Thank you.

Mr. WINCH: Just for clarification, do I understand from the remarks of the chief commissioner a few moments ago concerning the railroad passenger service, whether it is of a commuting nature or not, they can make changes and dispense with certain services without receiving prior consent from the board of transport commissioners?

Mr. KERR: Yes; there are two broad classes of changes in passenger train services. One is where the amount of service is reduced but not completely eliminated. There might be a service running six days a week between two points. The railway company might wish to reduce that service to a three day a week basis, but still maintain some service. In that case the railway company can do so without obtaining the prior approval of the board. But it has to give notice to the board in advance, and it has to post information in the stations concerned in advance concerning the reduction in service. Then following the notices, if the board receives complaints against the reduction of service, the board may make such investigation as it thinks proper, and it has the power to order the railways to continue the service pending the hearings or pending the investigation. And that has been done in quite a few cases.

The other situation is where the railway intends completely to eliminate all passenger train services between certain points. In that case the practice

is this—in fact it is not a practice required by any provision of the Railway Act, but it is a practice which the board requires—the railway must apply to the board for permission to eliminate that passenger service.

Mr. WINCH: What would be the situation under a certain proposal of which there has been considerable publicity in the past year where the railways maintain that since they operate at a loss on the transcontinental system, they could put over the rails a dayliner service from point to point and drop the straight transcontinental service? Could they make such a change without your authority?

Mr. KERR: They could initiate that change without our prior approval. As soon as they make any such change the situation might be that we would receive complaints, and I think we would be in a position to look into it.

Mr. WINCH: I think we ought to amend the act so that they cannot do it without first obtaining your approval.

The CHAIRMAN: Now, Mr. Regan.

Mr. REGAN: May I ask the chief commissioner a number of questions. First of all, what would the power of the board be with respect to passenger service, or passenger rates which the railways charge, and also concerning the maze of rates for goods which are carried by the railways?

Mr. KERR: Well, Mr. Regan, there are general provisions in the Railway Act which provide for equality of rates under substantially similar circumstances and conditions. There are provisions which provide for the equalization of freight rates, and there are provisions against unjust discrimination which apply to rates as well as to facilities and service. There is a general over-all provision that the rates must be just and reasonable. As a lawyer you know that that term cannot be precisely defined, but it does have certain connotations in the statutes in which it is used.

Mr. REGAN: Yes, but to what extent do you interpret the responsibility of the board regarding the prohibition against discrimination in the present act?

Mr. KERR: The board carries out the mandate of the act that unjust discrimination is prohibited. There can be discrimination, which is essentially different treatment. It is only discrimination that is unjust which is prohibited by the act.

Mr. REGAN: In the context of your experience with the board, what type of discrimination have you considered or found to be unjust discrimination?

Mr. KERR: Oh, our reported cases are just replete with allegations of unjust discrimination. As a matter of fact, we heard a case in Winnipeg very recently, and another case in Ottawa even more recently in respect of specific rates, not the general over-all rates, but in respect of specific rates when certain parties claimed that the rates that they were being charged were higher, and therefore they were unjustly discriminated against as compared with rates which were being charged in the same area.

Mr. REGAN: If you found that to be the situation, would you consider that to be unjust discrimination?

Mr. KERR: Well, depending on whether or not the traffic was carried or was offered for carriage under substantially similar circumstances and conditions. There are certain basic principles applicable in respect of unjust discrimination as between parties; one of the criteria is that the parties must be under competition with each other, and that there must be competition. Another is that the situations must be substantially similar.

Mr. REGAN: In your experience have you found many instances of unjust discrimination which was not only alleged but also established?

Mr. KERR: We have found very few in recent years. I may say as well that where there is a higher rate and a lower rate, and the person who is paying the

higher rate complains that he is being unjustly discriminated against because his competitor is being given a lower rate, the power of the board generally is, if there is found to be unjust discrimination thereby created, to order the railways to remove the unjust discrimination. In most cases the railways can do that in either one of two ways: one by reducing the higher rates to the level of the lower rate, or on the contrary, by putting up the lower rate to the level of the higher rate.

Mr. REGAN: During your tenure as chief commissioner have you had occasion to order the railways to do so?

Mr. KERR: I cannot be sure of my memory in that respect, but certainly if there have been such occasions they have been very few.

Mr. REGAN: I suppose in some instances when a matter comes before the board, and when it is apparent that a prima facie case is being established the railway would act on it rather than to wait until a final determination. Would there be any guarantee?

Mr. KERR: If the railways found that a case could be made against them for unjust discrimination I think they would be rather foolish to force the thing to a hearing.

Mr. REGAN: Then you would say, since some cases are decided in that manner, that these provisions in the act against discriminations have been a useful safeguard. I am putting these words in your mouth, Mr. Kerr.

Mr. KERR: One of the reasons for the act, when it was first put into effect, was to deal with discrimination cases; as you may know, the forerunner of the Railway Act was the Interstate Commerce Act, which largely was an act to prevent unjust discrimination. When you view the situation in respect of all those discriminations in a broad perspective there is far less evidence of unjust discrimination now than there was in former years.

Mr. REGAN: Perhaps that is because of the existence of prohibiting regulations against it and you do not have to prosecute in every case, once the precedent is established.

Mr. KERR: That could be. I think the railways would be loath to violate the provisions against unjust discrimination if they thought the matter would be brought to the attention of the board for corrective action.

Mr. REGAN: Do you personally then see any danger in the intention that the new act shall not have any such prohibitions?

Mr. KERR: I really do not know. I think it depends largely on the good sense that railway management may show in what it does under any new rate-making freedom which is given. Personally, I have no fear that very much harm would be done by removing these provisions. But, there are contrary opinions. I have read literally hundreds of articles on it, largely from the United States, where the question of de-regulation is very much to the fore. We have numerous different opinions.

Mr. REGAN: Before I turn to another aspect of this bill, would you agree that the continued existence of some prohibition in the act against discrimination is a reassurance to the shippers themselves because there would be some remedy if they felt there was discrimination?

Mr. KERR: Using your own expression, I think it would be some assurance to them, but I do not know whether or not they would need that assurance in the light of actual conditions. Only such actions that are taken in the future will determine whether that need exists and whether that assurance is necessary.

Mr. REGAN: Now, I would like to turn to another subject, Mr. Commissioner. You mentioned that the board's responsibility is to ensure that rates are just and reasonable. In carrying out these responsibilities have you felt,

because of the vast maze of regulations and so on concerning freight rates in this country, that your board has been at a disadvantage compared to the railways, which have a much larger and more extensive costing staff and facilities.

Mr. KERR: I do not think the board has been at a disadvantage in that respect.

Mr. REGAN: You are satisfied that you have had sufficient people in this end of your operation.

Mr. KERR: We have a very good nucleus costing staff. But, as you know, the science of costing is rapidly developing; it is very much different now from what it was a few years ago. When agreed charges were subject to the board's approval, which was prior to 1955, I think, at that time under the transport act, carriers and shippers could enter into agreed charges, but they could not go into effect until approved by the board. That approval no longer is necessary. But, at that time one of the things which the board had to look into was whether or not the agreed charges were compensatory, as a result of which the board's staff had to look into the cost of carrying that particular traffic. So, in those years we had considerable experience in costing. But, of course, the MacPherson commission has recommended that the board be provided with an additional staff, and this would be necessary if we are going to do the costing work which the royal commission has recommended.

Mr. REGAN: Am I correct in stating that the royal commission concluded that the figure that the railways submitted in respect of losses on the movement of wheat was grossly in excess of what the royal commission found to be the actual loss, something like $70 million compared with $16 million.

Mr. KERR: Mr. Regan, I do not know about that. Our own staff did the costing study in respect of the carriage of some grain from certain ports of Ontario to the river and eastern ports, including your port of Halifax. The railways gave us their cost figures and our own staff made studies. At that time we found that the traffic was being carried at less than cost. We allowed an increase to go into effect. It was not as large an increase as the railways wanted, but it was an increase that would cover costs. You know very well the result; the board's order was suspended at the time and it is still standing suspended in respect of those rates.

Mr. REGAN: You are not aware then of the royal commission's finding that the railways' figures in respect of loss on grain movements were excessive?

Mr. KERR: I have read the royal commission report. I do not keep the figures in my mind, but I am aware of what they said.

Mr. REGAN: At the time of your investigation on the specific portion of the grain movement you mentioned were the figures your board brought forward in respect of the cost to the railways much the same as the figures that the railways had reached.

Mr. KERR: I cannot recall what difference there was.

Mr. REGAN: You do not recall the difference?

Mr. KERR: No.

Mr. REGAN: But, you do agree with the royal commission that if you are going to carry on the responsibility envisaged by them in the future you would need additional costing staff.

Mr. KERR: Very definitely.

Mr. REGAN: I wonder if I could deal with passenger services now because we did have some discussion on that earlier.

As you have outlined your responsibility in this regard, if a railway decides to abandon a service or make a material change therein, giving the necessary

public notice, and if the board receives protests, it is then empowered to suspend temporarily, to hold a public hearing, and determine eventually whether the railways may be allowed to carry out their intention?

Mr. KERR: Substantially, but you are putting it a little bit more restrictive than I would. We have certain powers to act on our own motion. Our powers to act are not dependent upon receiving complaints but, generally speaking, where train service is reduced a notice of the reduction is given, and if the public does not like the change we will hear about it very quickly.

Mr. REGAN: But you have an absolute power to stop them from doing so.

Mr. KERR: I think so. We have exercised that power and it never has been attacked.

Mr. REGAN: When determining whether or not a railway would be allowed to abandon a passenger service or to reduce it, do you consider factors other than the question of whether or not this passenger service is losing money?

Mr. KERR: Yes. Perhaps I could put it very briefly by reading a short paragraph from a judgment given by the board. This judgment was given in 1960 in respect of passenger trains between Newcastle and Fredericton. Because I wrote the judgment myself I am quoting my own words:

> The Railway Act does not lay down any policy or principle that the board should or must follow in determining applications of this kind. The policy of the board, uniformly applied throughout Canada, is to assess whatever need the public may have for train services and decide whether loss and inconvenience to the public consequent upon discontinuance of a train service is outweighed by the burden that continued operation of the service would impose upon a railway to such an extent as to justify discontinuance of the service. The point at which discontinuance shall be considered justifiable is a matter of sound judgment. The situation in each case calls for a decision by railway management in the first instance, but the management decision may be reviewed by the board upon application or complaint or of its own motion. In arriving at this decision the board takes into consideration all relevant factors, including the population and economics of the area concerned, the need of the public for train service and the kind of service given, the volume of patronage by the public and the prospects for patronage in future, alternative transportation services and the burden to the railway company of discontinuance of a service and the effect on it of discontinuance.

Mr. REGAN: That is very well stated. What was that case?

Mr. KERR: The Fredericton-Newcastle one. As a matter of fact, in that one pamphlet, which contains the judgment I just read, dated December 15, 1960, there are also five other judgments in respect of abandonment of lines, one of which was refused in toto, one of which was refused in part and others were granted. These are all included in volume 50 of the board's judgments, orders, regulations and rulings. One of those judgments in which the application for abandonment was granted was appealed to the governor in council and the governor in council dismissed the appeal. But, in that one pamphlet are set out the considerations and the policies that are taken into account and applied by the board in passenger train and abandonment cases.

Mr. REGAN: Inasmuch as one of the major railways in our country in the last while has been openly stating it wishes to get out of passenger services and that it is not interested in running passenger trains, do you feel such statements, when you are examining an application for abandonment of service of that particular railway, should be scrutinized with a more jaundiced eye with regard to the manner in which they are attempting to change their operation.

Mr. KERR: Well, each individual application has its own characteristics and when we hear a case involving passenger trains usually we have senior officers of the railway concerned before us, who tell us what the policy is, how it is applied, and why it is being applied in this particular case.

Mr. REGAN: Among other things in determining whether the loss that a railway is suffering justifies abandonment do you consider whether the railway is maximizing its net income from the operation by running at the best hours? Do you go into such matters?

Mr. KERR: Where these matters are raised we do. If there are suggestions made that the trains run out in the morning instead of in the evening, in other words, they reverse their schedule, we ask the railways to deal with that, to tell us whether it is feasible, and what the effects would be in respect of cost and patronage. There have been cases where we have acceded to the submissions of the public and urged the railways to change their operations. Perhaps they might be putting on a railliner instead of a conventional train, and they might be running the trains at a different hour.

Mr. REGAN: Do you have the power to order them to change the hours?

Mr. KERR: Yes; we have that power. It is not a power that we exercise hastily because, basically, that is a management decision. As I said, we can step in only if the way they are running their trains does not comply with the Railway Act.

Mr. REGAN: You believe in the principle that you can catch more flies with a little bit of honey than you can with a gallon of vinegar.

I have another question regarding reservations on passenger trains. Since making some remarks in the house that were not particularly flattering about the Canadian Pacific Railway I have received quite a number of letters from people setting out their personal experiences when attempting to make passenger reservations. I have been told they have attempted to do so a substantial time ahead of their day of travel and have been unable to get the reservations. Also, in some instances, after boarding the train, they have found that it is not filled to anywhere near capacity. Does the board of transport commissioners receive such complaints?

Mr. KERR: Yes, we receive individual letters in that respect.

Mr. WINCH: If you have not enough of these letters I can supply you with a lot more.

Mr. KERR: When we receive these complaints we inquire about the circumstances. Generally speaking, the railways have some explanation for it, and whether or not it is an acceptable explanation depends on the viewpoint of the person concerned. But, every time we receive a complaint we take it up. I may say that I have not the record of any of the proceedings of this committee to date but if the complaints of members have been put on the record we certainly will take cognizance of them and look into their particular situation.

Mr. WINCH: Well, three members of parliament did just that at our last meeting.

Mr. REGAN: Perhaps I will send some letters along to you for your perusal. But, when investigating these matters you have found that in some cases the facts or circumstances alleged were accurate, that they had some explanation or reason for it.

Mr. KERR: Well, they always have an explanation but whether or not it is a good one depends on the point of view. I may say that in every instance where we have asked the railways to change their mode of operation, either by changing time schedules or putting on different types of equipment, it has been a rather unfortunate experience. Indeed, this did not result in an

increase in patronage. After a year or two we found that really all we had done was to perpetuate the deficit of the railway for that period of time.

Mr. REGAN: Inasmuch as these dissatisfactions with reservations certainly would tend to send people away to other types of transportation, have you considered investigating the system of reservations, the efficiency of it, and whether in general it could be improved so that the public would be more satisfied with travel on trains?

Mr. KERR: I think the system is changing somewhat. In recent months the railways have been moving toward more reservations for coach travel. We have not made any investigation of the system. We have dealt with individual complaints, but we have not investigated the system as a whole to see whether it is a bad system or whether some better system should be initiated.

Mr. REGAN: If you find that in a number of instances people have been turned down in requests for reservations and discover subsequently that the trains have not been operating at or near capacity, would this lead you to the conclusion that the system of arranging rseervations should be investigated?

Mr. KERR: Perhaps so, if that pattern were established. I do not know that we could arrive at any conclusion that the system is bad because of isolated complaints. However, if the complaints received were so numerous or of such magnitude that they indicated a pattern, this certainly would be a matter we would be called upon to look into.

Mr. REGAN: I think probably those are all my questions.

Mr. ROCK: Mr. Chairman, first I would like to know whether or not it has been established that the commuter service is included in the passenger service referred to in section 314; in other words, do the subsidies to the two railways also apply to the commuter service? I would like to know from you, Mr. Chairman, whether or not this has been established. I was not here on Tuesday.

The CHAIRMAN: I do not think so.

Mr. ROCK: Then perhaps this would not be a proper question for Mr. Kerr.

The CHAIRMAN: Perhaps Mr. Darling could answer the question.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): On page 14 of the bill, subsection (6), it is stated with regard to passenger train deficit that this section does not apply in respect of a passenger train service accommodating principally persons who commute between points on the railway of the company providing the service. In other words, the commuter service is not included in the over-all amount of passenger service and therefore is not subject to the deficit policy.

Mr. ROCK: But it does not say that directly. I would like to know who judges whether or not passenger service is a commuter service. Commuters still are passengers. I am in doubt in respect of the terms used. There is nothing specific in this bill which says that commuter service is not included in this new subsidy.

Mr. DARLING: Well, this is quite specific. I think it attempts to define commuter service. It says:

> This section does not apply in respect of a passenger train service accommodating principally persons who commute between points on the railway—

Mr. ROCK: In subsection (7) it says:

> —"passenger train deficit" means the deficit attributable to the carriage of passengers, express or mail, or any combination of passengers, express or mail, in passenger service equipment in the trains of the company.

I do not see anywhere in this bill where it excludes commuter service.

Mr. DARLING: The preceding subsection (6) is what I have been reading.

Mr. ROCK: I find it very unfair that we are going to allow a large subsidy of $20 million and yet, with regard to commuter service, most of the railway companies want to opt out of this service and hand it out to other transit companies.

Mr. Kerr, has your commission contributed any information to the formulation of this bill?

Mr. KERR: Yes, I think so. Inquiries have been made of us and we have seen draft copies of the bill. We have found some technical matters to comment upon.

Mr. ROCK: Mr. Winch asked a question concerning this, but of course his question was on a specific matter. Therefore, I thought possibly in general you did not contribute any information toward the formulation of this bill.

Mr. KERR: So far as we were concerned our function was to see whether the legislation was consistent with the recommendations of the commission. Obviously, in trying to put the recommendations into statutory language, some of our people in our traffic branch, our legal branch and our economic branch had discussions concerning the words to be used and what effect they would have on other sections of the bill, and various other matters. When we saw a draft copy of the bill, if we saw something was omitted or something that was in conflict with some other provision in the bill, we would draw this to the attention of the parties who were drafting the bill.

Mr. ROCK: My next question does not have much to do with the bill, but I would like to ask a question with regard to commuter service on the C.N.R. line from St. Eustache through Pierrefonds, Roxboro, and the town of Mount Royal to central station via Mount Royal tunnel. There have been certain statements made, I believe by the president of the C.N.R., to the effect that they may sell this railway system to the rapid transit system of the city of Montreal. Do you have any information on this, or have there been any letters of intention, or anything in this regard?

Mr. KERR: I do not think there has been anything official addressed to the board. We have read the same reports you have and in some discussion we have had with the C.N.R. people they spoke generally about what might be in prospect.

Mr. ROCK: What I am interested in is what would happen in respect of the grade crossing fund and the grade separation legislation; what would happen on a system like this where at this time they have many level crossings which should be separated? If the C.N.R. transfers this line to the rapid transit system of Montreal, does the grade crossing fund apply to that system once it belongs to the city of Montreal—Metro, or whatever they call it?

Mr. KERR: I would think that if the railway were transferred to provincial authority the railway grade crossing fund no longer would apply to it. That fund applies only to railways which are subject to the Railway Act and are subject to the legislative authority of the parliament of Canada. If it so happened that this railway were taken out of federal jurisdiction and transferred to provincial jurisdiction, as a provincial undertaking and ceased to be a railway subject to the Railway Act, it would follow that the railway grade crossing fund would not be available in respect of that line once that condition came about.

Mr. ROCK: What would be your position if at this moment the municipalities in the area did make a request to your commission for this grant because they had the intention of building underpasses or overpasses at every crossing; what would be the situation in respect of this if the C.N.R. had intentions of

transferring the line but the negotiations were not complete or possibly the city of Montreal was not ready to accept this? What would be the position of your board in such a case?

Mr. KERR: I think it is well established that the board would have to act under the existing law. As a matter of fact, one of the decisions of the board went to the Supreme Court of Canada a few years ago and that was laid down by the Supreme Court of Canada. I would think that if it were established as a fact before the board that the lines were to be changed in some respect, we would have to consider what effect the proposed changes would have on the power of the board to apply moneys from the fund toward the line.

Mr. ROCK: Then, let us suppose that the C.N.R. would transfer the property of that line completely and yet wish to have use of that trackage at certain times. What responsibility would your board have in that regard in relation to the railway crossing fund?

Mr. KERR: You are drawing me rather far afield.

Mr. ROCK: You can understand my concern because I have received a letter from the mayor of Roxboro who is concerned about this. As a member from that area I, too, am concerned. If I could, I would like to have these answers. In this situation you would have the C.N.R. possibly using that railway at certain times for railway business and yet they would not have the complete responsibility for maintenance; they would merely pay rent for the trackage. Will they wash their hands of the financial responsibility for the proper separation of grades?

Mr. KERR: Well, the simple proposition that you put, that the C.N.R. still may want to run some trains there, would be only one part of the picture. We would have to look at the whole legislation which would transfer the line to another body. We would have to see whether under the new situation the line, as such, would come within the definition of the Railway Act under our jurisdiction. I really cannot prejudge the matter without having all the facts before me. You only outlined some of the facts; you have not indicated what the terms of the legislation would be. That would be very material.

Mr. ROCK: You can understand my concern in this.

Mr. KERR: Yes.

Mr. ROCK: Thank you.

The CHAIRMAN: Are there any other questions for the chief commissioner? If not, we will proceed to the brief to be presented by the Coal Operators' Association of Western Canada.

Thank you very much, Mr. Kerr.

Mr. W. C. WHITTAKER (*Managing Director, The Coal Operators' Association of Western Canada*): Mr. Chairman and gentlemen, I am the managing director of the Coal Operators' Association of Western Canada and I am accompanied here by Mr. R. L. Banks of Washington, D.C.

The Coal Operators' Association of Western Canada is comprised of three companies as follows:

The Canmore Mines Limited, Canmore, Alberta
Coleman Collieries Limited, Coleman, Alberta
The Crow's Nest Pass Coal Co. Ltd., Fernie, B.C.

These companies in the year 1964 produced approximately 1,600,000 tons of medium and low volatile coking and non-coking coals. All three of these mines are located on Canadian Pacific Railway lines and the total production is shipped by rail, there being no markets close enough to make truck shipments. As a result, the total production is captive to Canadian Pacific as defined by section 335, subsection (1).

Sixty per cent or more of the tonnage is exported to steel mills and to chemical and gas companies in Japan via Port Moody, British Columbia, with government assistance in the form of subventions. The balance of the tonnage is used almost exclusively in metallurgical operations in western Canada and the western United States.

For the purpose of this submission we will confine our observations to section 335 which deals with the matter of maximum rate control.

We believe that the purpose of this section providing for maximum rate control is good but feel that its provisions are so hedged around by restrictions as to make it virtually worthless so far as low value bulk commodities are concerned. In this regard we wish to register the following objections.

Determination of Variable Costs (Subsection 3)

This subsection reads:

> In determining the variable cost of the carriage of goods for the purposes of this section the board shall
>
> (*a*) .....
>
> (*b*) .....
>
> (c) Calculate the cost of carriage of the goods concerned on the basis of carloads of 30,000 lbs. in the standard railway equipment for such goods.

The production of our member companies moves for the most part in hopper cars which have capacities up to 160,000 pounds. The average hopper car loaded with export coal in the period May 21, 1960 to September 30, 1963 carried 142,760 lbs. of coal. This average weight reflects the number of smaller and older type cars supplied by the railway company. The mines also ship a small proportion of their production in box cars at the consignees' request. The minimum net weight of coal carried by these cars is 90,000 lbs.

It is apparent therefore that the calculation of variable costs using the 30,000 lbs. stipulated in subsection 3(c) would be a most unrealistic procedure even allowing for the adjustments provided under subsection 5(*b*)(ii) and further that costs calculated on this basis would be grossly inflated in the case of coal shipments and would bear no reasonable relation to actual cost.

We suggest therefore that if there is to be any real or factual measurement of the variable cost of low value bulk commodities, subsection 3 must be amended to provide that the actual shipping weights be used for such calculation.

Finding the Rate Applicable to the Carriage of the Goods

Subsection 2 provides .....

> ..... the board may after such investigation as it deems necessary fix a rate equal to the variable cost of the carriage of the goods plus one hundred and fifty percent of the variable cost, as the fixed rate applicable to the carriage of the goods. . . .

Coal is a low value bulky commodity. Our average realization at the mines in 1964 was $6.42 per ton.

A cost study for the year ending September 30, 1963 showed that the revenue received by the railway covered not only all the variable costs of the railway movement, but also made a substantial contribution to the railway's overhead costs.

In the specific case of Michel this contribution to railway overhead (or fixed) costs amounted to 70 per cent of the variable cost. If 150 per cent had been added as required by subsection 2 the rate would then have become $7.45 per ton as compared with the existing rate of $5.13. At a $7.45 rate no coal would move and such an increase would simply close down the mines. As a

matter of fact even at the $5.13 rate it is only with the utmost difficulty that the mines are able to maintain their competitive position.

It is to be noted that the above quoted costs are based on actual car weights of 172,000 lbs. It can be readily appreciated what these costs would be if the fictitious 30,000 lb. figure had been used plus the pyramiding effect of adding 150 per cent to an already much inflated figure.

We submit therefore that this subsection must be amended in the light of its effect on low value high volume commodities.

Subsection 10—Existing Level of Rates Prevails for Fixed Periods

This subsection provides that no remedy can be sought through section 335 with respect to an existing rate unless and until the carrier advances such rate, even though because of changed conditions the rate may have become manifestly unjust and unreasonable.

As an example, the carload rate on coal from Coleman, Alberta, to Vancouver is $5.55 per ton. This rate applies whether one car or one hundred cars are shipped at one time and whether they are shipped to one consignee or to fifty. In contrast the export rate from Coleman to Port Moody, which is located 13 miles east of Vancouver is $5.13 per ton. More than 400,000 tons of coal will move in 1965 from this one origin to the one destination; a good deal of it in trainload lots. The same situation applies in the cases of Michel and Canmore where 400,000 tons and 165,000 tons of export coal respectively will be shipped during the current year.

It is submitted that this export rate does not recognize the savings inherent in the movement of large volumes of coal, often in trainload lots, from one origin to one destination. Under the terms of subsection 10 as written the captive shipper has no recourse to maximum rate control unless a rate already more adequate is further increased.

Over the past five months the coal operators have been making representations to Canadian Pacific regarding rates for the shipment of export coal by integral and unit trains between the mines and Port Moody, as and when ground storage becomes available at the latter point.

We are unable to predict the outcome of these negotiations. We may or may not arrive at satisfactory rates. If we are unable to do so and if section 335 is enacted without amendment we will have no recourse to the transport board unless and until the present rate is increased and as captive shippers we would then be compelled to attempt to live with whatever rates the carrier may decide to impose.

The combined effect of subsections 10 and 14 is virtually to prevent invoking maximum rate regulation for a period of five years.

Even if the barrier set up by subsection 10 were removed, recourse to the board would be of no value to us so long as variable costs are calculated on the 30,000 lb. basis and 150 per cent is added to variable costs to fix a maximum rate.

In Summary, we recommend that:

(1) Subsection 3 be amended to provide that the actual weights of shipments be used in calculating variable costs.

(2) Some lesser and more realistic figure than 150 per cent of variable cost be used in subsection 2 in determining a realistic maximum contribution to overhead cost in the case of low value high volume commodities.

(3) Subsection 10 be amended so that the captive shipper may at any time apply to the board to fix a rate.

The CHAIRMAN: Thank you, Mr. Whittaker. Now, I wonder if Mr. Banks has anything to add to this brief? If not, are there any questions? Are there any

other comments from any other interested parties in the room? Mr. Darling, I wonder if you have anything to offer by way of clarification? I was thinking that you might clarify, but not discuss the brief.

Mr. H. J. DARLING (*Director of Economic Studies, Department of Transport*): I was just going to say that at the last meeting Mr. Stewart asked us to prepare a statement describing the basis of the choice of this 150 per cent.

The CHAIRMAN: I shall come to that after. Have you anything else to say, Mr. Whittaker?

Mr. WHITTAKER: No.

The CHAIRMAN: Thank you very much.

Mr. REGAN: I think, Mr. Chairman, we would want Mr. Whittaker to know that we are very interested in his brief, and since we have only seen it just now we shall want to digest it and will be taking it under consideration in our further deliberations. I think all the members of the committee appreciate the fact of his coming and making his presentation.

Mr. WHITTAKER: I regret that owing to the lack of time we were unable to have this brief in the hands of the committee before today.

The CHAIRMAN: It was very short notice, I know, and I appreciate that you were able to bring it to us.

Mr. COWAN: What would be the impact of the government's subvention on this coal per ton?

Mr. WHITTAKER: Two dollars and seventy three cents per ton.

Mr. COWAN: Would that be the total subvention for ground shipment and sea transport, or would it be just for ground shipment alone?

Mr. WHITTAKER: It would be for ground shipment alone.

Mr. COWAN: How many people are there in the Canmore area which depend on this coal production in order to keep their families?

Mr. WHITTAKER: That is really a difficult question to answer. There are about 1,200 union employees plus the others involved with the three mines, and the communities at the eastern end of the Crowsnest Pass from Cranbrook east to Macleod are dependant on this as well as those elsewhere in Canada.

Mr. DEACHMAN: There is some concern over storage facilities at Port Moody. I presume that would be the coal handling dock of the Canadian Pacific Railway.

Mr. WHITTAKER: Yes, that is correct.

Mr. DEACHMAN: Can you enlarge a little on this? How long do you expect it will be before these facilities become available? Can you enlarge on the nature of the facilities? What is the picture?

Mr. WHITTAKER: This problem results from the increased size of the ships in use. With economies in ocean shipping we are now using ships of from 25,000 to 35,000 tons which require anywhere from 500 railway cars up to supply each ship. We cannot control the ships, because they do not arrive exactly on time, and this may result in a number of railway cars being tied up. The dock at Port Moody, the Pacific coast terminal, has plans under way. They have one loader only, without any ground storage.

Mr. DEACHMAN: That is the one for the shore to ship loading?

Mr. WHITTAKER: That is right. They are planning to have two more loaders, one loader which would handle bulk commodities such as coal, potash, sulphur and so on, and another one to handle wood chips exclusively, and they would have to provide storage not only for coal but also for sulphur and potash.

They have plans under way, and they have told us that they expect to have some storage available 12 months from now. That may be a little optimistic, so let us say from 12 to 15 months.

Mr. DEACHMAN: Have you any indication when additional loading facilities will become available?

Mr. WHITTAKER: Loading facilities are going forward at the same time.

Mr. DEACHMAN: This would include loading facilities along with the bulk storage that you speak of?

Mr. WHITTAKER: Yes.

Mr. FISHER: What comparison may be made between the cost of moving your coal and the rate charged to lignite producers and other bulk commodity shippers on the prairies?

Mr. WHITTAKER: There are no lignite export shipments.

Mr. FISHER: No, of course.

Mr. WHITTAKER: The carload lot rates from a place like Drumheller are about the same as our single carload rate, namely $5.55 per ton, which is the rate from Canmore.

Mr. FISHER: One is led to think, from the reference you make to your captive situation, you feel that if the rate picture could be improved it would improve your competitive situation?

Mr. WHITTAKER: I always think that if you have competitive carriers you will always get a better rate.

Mr. FISHER: How marginal is your operation? I am thinking in terms of your company looking ahead for 5, 10, to 15 years, particularly to the Japanese market. Does it look promising?

Mr. WHITTAKER: We are presently operating on a three year contract which expires on March 31, 1967; and we also know that additional competitive forces are coming into the picture now. Our biggest competitor at the present time is Australia. There are some developments in Queensland which are going to make the competitive situation closer than ever. Actually, the cost of transportation is the biggest single problem facing the coal industry, and it does not just apply to the export market.

Mr. FISHER: In other words, despite the lack of emotion in your brief, it could represent the difference between closing down or carrying on operations. That is implicit.

Mr. WHITTAKER: We have a very close operation.

Mr. COWAN: I would like to ask Mr. Whittaker a question or two. On page 4 he speaks of the carload rate on coal from Coleman, Alberta, to Vancouver as being $5.55 per ton and that this rate applies whether one car or 100 cars are shipped at one time, and whether they are shipped to one consignee or 50.

When I was in Labrador last fall to have a look around, one of the sights I saw was a complete mile long train moving iron ore down to Seven Islands. What kind of reduction do you think you would get if you were to be charged for train load lots rather than at the rate of $5.55 per ton? I am certain that the iron ore company would not be asked to pay the rate of $5.55 per ton to ship their iron ore down to the coast.

Mr. WHITTAKER: We have several studies under way right now involving units of entire train loads, where coal would be moving directly in train load lots from the mines to the loading facilities, either to be loaded there straight into ground storage or loaded on to ships, depending on the circumstances. This would eliminate all switching and breaking of trains and that sort of thing en route, as is the case at the present time.

Mr. DEACHMAN: How much does that depend on the terminal facilities at Port Moody and on any changes therein?

Mr. WHITTAKER: In order to make unit trains possible, it would involve the tying up of a large number of cars, and we must have storage at Port Moody.

Mr. COWAN: Have you any example to show the rate per ton to move bulk products? I mean the rate per ton as compared to the charge for moving them by train load? You must have a good idea of the rate charged to move iron ore out of Labrador to Seven Islands by train load as compared to moving your product by single cars into Ontario?

Mr. WHITTAKER: I am told that the rate for the movement of iron ore down to Seven Islands is somewhere around 4/10 of a cent per ton mile as compared to our rate which runs from about .75 to .86 a cent per ton mile. In the United States where they have had considerable experience in moving bulk commodities by unit trains, where the shipper supplies his own cars, I think it can be safely said that this has had an effect on reducing the rate by at least one third.

Mr. COWAN: I wonder if Mr. Darling could throw any light on this subject?

The CHAIRMAN: Have you any information concerning this, Mr. Darling?

Mr. DARLING: I wonder if Mr. Cowan would please repeat his question.

Mr. COWAN: I was asking Mr. Whittaker if he had any figures of statistics to show what rate is charged by the railways to move bulk products by train load as compared to carload lots? I am thinking particularly of the line running from Labrador down to Seven Islands. The witness has given us an interesting figure. He said that from Labrador down it costs about 4/10 of a cent per ton mile, whereas in the west they are charged about .86 cents.

Mr. DARLING: I have no figures, but I know the rate would be considerably less when you move from a carload to a train movement.

Mr. COWAN: Thank you.

Mr. REGAN: Mr. Whittaker, I notice in your statement you say that the revenue received by the railway covers not only all the variable costs of the railway movement but also makes a substantial contribution to the railway's overhead cost. This being the case, presumably it is desirable business for the Canadian Pacific Railway. I wonder if the officials of the railway agree with that course, or have regard to the danger to your continued market of an increase?

Mr. WHITTAKER: I shall be quite fair. I think there is some difference of opinion between the railroad and our consultants of the profitability of moving this coal under present conditions.

Mr. FISHER: The Canadian Pacific Railway has made considerable investments. Do they have any substantial share in the ownership of of the three mines?

Mr. WHITTAKER: None whatsoever that I know of.

Mr. FISHER: My third question relates to the provision by either the Alberta or British Columbia provincial government of a subsidy in any form. Are there any subsidies of any kind to assist you?

Mr. WHITTAKER: No.

Mr. FISHER: Would the dominion coal board be seized with all the factors concerned in your operation and of the marginal nature of it? Would its economists be able in a sense to give generally supporting evidence of your financial position?

Mr. WHITTAKER: Yes, the dominion coal board are privy to all our costs and are fully aware of the details of our operation.

Mr. FISHER: Have you had any discussion with either the Alberta or the British Columbia representatives in this whole matter of railway rates? I think you are aware that each government either has had special counsel over some years, or they keep a very sharply tuned ear, and they are quite prepared. Over the years they have made representations to the board as well as to the parliamentary committees. I wonder if you have taken this particular argument to the British Columbia or Alberta representatives?

Mr. WHITTAKER: In an informal way we have discussed this matter with the people who represent the provinces from time to time.

Mr. FISHER: As far as you know you have their sympathy and support in your presentation.

Mr. WHITTAKER: Well, I think we have their sympathy, and I think we have their moral support anyway.

The CHAIRMAN: Is that all? Once again it was a good thing that we had some time to think over your brief, although we had short notice, because I think we found there were some questions to ask you. I thank you very much. Mr. Darling, would you come forward, please.

During our last meeting we asked Mr. Darling to provide us with some information, and perhaps he could tell us about that now.

Mr. DARLING: Mr. Chairman, I think there was a total of seven or eight different items. Mr. Stewart and possibly one or two other members of the committee put questions. We are working on this information now and I would hope that most of it would be available at the beginning of the week. One or two of these involved compilation of figures; it will take more time to provide this information but we will get it to the committee as soon as possible. I presume members of the committee would like to read this information over before asking any questions or commenting on it.

The CHAIRMAN: Then, we will have your answers on either Monday or Tuesday.

Mr. DARLING: Yes.

The CHAIRMAN: Is there anything else you have ready for this morning?

Mr. DARLING: No.

The CHAIRMAN: Then, that will complete our sitting this morning.

I am advised that the North-West Line Elevators Association of Winnipeg wish to appear on Tuesday, as well as the Branch Line Association of Manitoba. We also have invited the National Farmers Union of Saskatchewan to appear on Tuesday.

There will be no further business this morning. Could I have a motion for adjournment.

Mr. TUCKER: I so move.

Mr. CANTIN: I second the motion.

Motion agreed to.

The CHAIRMAN: We will adjourn until 9:30 on Tuesday morning. We will be using this room.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

Tuesday, March 9, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

From *North-West Line Elevators Association,* Messrs. Cecil Lamont, President; R. H. Weir, Secretary; D. H. Jones, Counsel; G. H. Sellers, President, Federal Grain; G. W. P. Heffelfinger, President, National Grain.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21823—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

Vice-chairman: Mr. J. Macaluso

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo- Cow-ichan-The Islands*)
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Foy[1]
Godin[2]
Granger
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Macdonald
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Pugh
Rapp
Regan
Rheaume
Rideout (Mrs.)
Rock
Southam
Stenson
Tucker
Watson (*Assiniboia*)
Winch—60

(Quorum 12)

Marcel Roussin,
Clerk of the Committee

[1]On March 8, 1965, Mr. Legault replaced Mr. Foy

[2]On March 8, 1965, Mr. Stewart replaced Mr. Godin

ORDERS OF REFERENCE

MONDAY, March 8, 1965.

Ordered.—That the name of Mr. Legault be substituted for that of Mr. Foy on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

MONDAY, March 8, 1965.

Ordered.—That the name of Mr. Stewart be substituted for that of Mr. Godin, on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

21823—1½

MINUTES OF PROCEEDINGS

TUESDAY, March 9, 1965.
(30)

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.40 a.m. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Cantin, Cowan, Crossman, Fisher, Forbes, Granger, Horner, (*Acadia*), Legault, Macdonald, Macaluso, McNulty, Muir (*Lisgar*), Pascoe, Prittie, Rapp, Richard, Southam, Stewart, Tucker, Watson (*Assiniboia*) (21).

In attendance: From the *Department of Transport,* Messrs. J. R. Baldwin, Deputy Minister, H. J. Darling, Director of Economic Studies, R. R. Cope, Director of Railways and Highways Branch, H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company*; Mr. W. J. Parker, President, *Manitoba Pool Elevators*; Mr. A. M. Runciman, President, *United Grain Growers Ltd.*; Mr. J. W. Channon, Adviser to Minister of Agriculture on Branch Line Rationalization, Mr. Paul B. Tetro, Clark Macdonald & Co. Solicitor; Mr. Walter Smith, Canadian National Railways; From *North-West Line Elevators Association,* Messrs. Cecil Lamont, President; R. H. Weir, Secretary; D. H. Jones, Counsel; G. H. Sellers, President, Federal Grain; G. W. P. Heffelfinger, President, National Grain.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman introduced Mr. Jones who read a résumé of the brief which had already been distributed in English to the members of the Committee.

The witnesses from the North-West Line Elevators Association were called and examined by the Committee.

On motion of Mr. Cantin, seconded by Mr. Forbes,

Resolved,—That the brief from the Canada and Gulf Terminal Railway Company be reproduced in appendix to today's proceedings. (*See appendix B of today's proceedings.*)

The examination of the witnesses being concluded the Chairman announced that on Thursday, March 11, 1965 the Committee would consider Bill S-42, *An Act respecting Interprovincial Pipe Line Company.*

The following witnesses will be invited to appear on Bill C-120:

On March 23, The Port of Halifax Commission and National Farmers Union, Saskatoon, Saskatchewan.

On March 25, Canadian Manufactuers' Association, Toronto, and Canadian Industrial Traffic League, Toronto.

The Chairman thanked the witnesses for their cooperation.

Mr. Brown, having resigned from the Committee, it was necessary to elect a new Vice-Chairman.

Thereupon Mr. Stewart, seconded by Mr. Crossman moved that Mr. Macaluso be elected Vice-Chairman.

There being no other nominations, the Chairman declared Mr. Macaluso elected Vice-Chairman of the Committee.

At 11.45 a.m. the Committee adjourned until 10.00 a.m. on Thursday, March 11.

Marcel Roussin,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 9, 1965.

The CHAIRMAN: Order, please. We have a quorum.

We have with us this morning representatives of the North-West Line Elevators Association. Our witnesses this morning are: Mr. Cecil Lamont, President; Mr. R. H. Weir, Secretary; Mr. D. H. Jones, Counsel; Mr. G. H. Sellers, President, Federal Grain Limited and Mr. G. W. P. Heffelfinger, President, National Grain Company Limited.

I understand that Mr. Jones, the counsel, will present a brief this morning, and I would ask him to proceed at this time.

Mr. D. H. JONES (*Counsel, North-West Line Elevators Association, Winnipeg, Manitoba*): Thank you, Mr. Chairman. You already have in your hands a copy of the association's brief, and at this time I would like to read to you a summary of the main brief.

Before reading the summary, Mr. Chairman, I should mention that the association is also appearing before the Senate Banking and Commerce committee this morning, and I hope the committee will not think we are amiss if two of our members leave at 11 o'clock. It is not that they do not wish to remain but the fact is they have to be elsewhere. I would ask that the committee accommodate us to that extent.

The North-West Line Elevators Association represents the investor owned section of the grain handling industry in western Canada.

The association appreciates the opportunity to present its views to your Committee on the problem involved in the proposed changes to the transportation laws of Canada, with particular reference to those which affect the farming and grain industry in western Canada.

The report of the MacPherson royal commission dealt specifically with two aspects of the problem of transportation of western Canadian grain to markets. The first was the policy that should be adopted by the federal government towards the abandonment of branch lines, and the second was the level of grain rates for the transportation of grain to export positions. In the considered opinion of the association, as expressed to the royal commission and now reiterated here, these are two of the most important of the problems that your committee as well as parliament will face in deciding on the shape of the new legislation. The association cannot over-emphasize this statement. If the importance of these two principles is overlooked when the legislation comes to be enacted, the effect on the farming economy of western Canada will be both immediate and serious.

The North-West Line Elevators Association appears before you in company with many other persons and groups representative of both grain interests of western Canada as well as the public at large in that area, to urge upon you most serious and careful consideration of the long range effect that legislation in respect of branch line abandonment and export grain rates can have if the correct decisions are not made when such legislation is being considered by you and by parliament.

It must be clearly understood that under prevailing conditions the country elevator is the mechanism whereby the farmer disposes of his annual grain crop for furtherance to its ultimate market, be that market domestic or export.

The country elevator must be located on a rail line to operate. If it is taken away the farmer has no means within his financial reach of turning his crop over to the buyer.

In extensive areas throughout the west abandonment of branch lines on the scale proposed by the railways will have the effect of reducing total country elevator capacity. This will involve increased distances over which the farmer will have to transport his grain to his delivery point—automatically increasing his costs of operation at a time when he can ill afford such increase in cost—and millions of dollars will have to be spent to provide new and enlarged country elevator facilities at remaining delivery points in order to handle the grain formerly delivered to elevators located on branch lines that have been torn up.

It must be recognized that at least some part of these costs will inevitably be reflected back to the grain producers.

As a solution to the problem of branch line abandonment the MacPherson commission recommended the establishment of a regulatory agency whose function would be to "rationalize" abandonment. This involved the segregation of branch lines into two broad categories, those that ought to go and those that in the public interest ought to remain. In the case of the first category the regulatory agency was to be charged with the duty of cushioning the impact of abandonment on affected communities by stretching out the period for which the line would remain in operation by a system of public support given to the railways during that period. In the second category, lines which in the public interest should remain, were to be removed as a charge on the general revenues of the railway company operating them, and the uneconomic portion of the cost of continued operation treated as a charge upon the general public for whose benefit the line was to be continued.

It is clear from statements made by the government at the time of its introduction, that Bill No. C-120, an act to amend the Railway Act, arose out of the recommendations of the MacPherson commission, and that more specifically the provisions in that bill relating to branch line abandonment were based on what the royal commission said about that problem.

In the view of the association the bill recognized the problem under discussion, but unfortunately did not contain the provisions which were necessary for its solution.

Our over-riding objection to the bill where it dealt with branch line abandonment has been expressed on many occasions before and we do not hesitate to state it again. The legislation should not allow the decision to abandon the branch line to be based solely on the profit or loss situation of the railway on the particular branch line in question.

The legislation provided for a branch lines rationalization authority, but the one power which it should have had to make its work effective was granted, not to it but to the board of transport commissioners. Under the bill the branch lines rationalization authority was to transmit to the board of transport commissioners all applications of the railways to abandon branch lines, and it was left to the transport board to determine whether the branch line in question is or is not economic.

In effect, the board of transport commissioners is told to consider the profit and loss situation of the railway relative to the particular branch line and upon its finding that line "uneconomic" approval for abandonment is automatically given. There is no provision which makes it incumbent upon the board of transport commissioners to hold open hearings so that interested parties may have the opportunity to examine the statements presented by the railway. Moreover, there is no provision which makes it incumbent on the board of transport commissioners to consider other factors such as the interests

of the public and more particularly the local people vitally affected by a particular abandonment application. Rather the board of transport commissioners is to examine the statements of the railway in closed session, and may or may not allow the railway to make further submissions.

In the opinion of the association, this procedure does not give full recognition to the rights of those concerned with an abandonment application, and is not suitable for the examination of costs, profits and losses, when far more than the immediate interests of the railways is in question. There is no provision in the bill requiring the transport board to listen to those immediately affected, or those representative of the wider public interest, and no requirement that the submissions of the railways be put to the strict test that can only be imposed when those opposed in interest have an opportunity to appear, to be heard and to put in their own evidence.

To allow branch lines to be abandoned simply on the basis of the profit and loss situation of the railways, is in our belief not agreeable to the people of western Canada. A balanced view must be taken of all of the consequences of rail abandonment before any line is allowed to go.

It is not good enough to leave to the board of transport commissioners the vital decision to abandon, solely on the basis of the profit or loss situation of the railway affected, and then to empower the newly constituted branch lines rationalization authority merely to fix the time by which the line is to be torn up.

The public interest, of which the railway's financial position is only a part, must govern in every decision to abandon, and in most cases the economic and social factors involved should overrule the railway's balance sheet.

Your committee is undoubtedly aware that over the past several years there have been many applications for branch line abandonment considered by the board of transport commissioners, and that in most cases the board has granted approval. This series of applications for abandonment has caused widespread concern, particularly in the prairie provinces, and has led to severe criticism of what has come to be called the railways' program of piecemeal branch line abandonment.

Any continuation of this case by case, or line by line approach to the overall problem, can only lead to results which are the direct opposite to what the MacPherson royal commission thought should be the function of the branch lines rationalization authority. The association is therefore strongly convinced that any legislation which lacks a clear direction to the regulatory authority to adopt a regional or area approach to the problem of branch line abandonment, is seriously deficient.

We are firmly of the belief that no rational solution to the problem of branch lines can be attained as long as each individual line is to be considered in isolation from all others. The line by line, piecemeal approach is far too restrictive and cannot provide a solution to a problem which is basically regional in character. One small area of a province or region cannot be separated and studied alone, without considering surrounding areas. In examining regional needs it may become clearly evident that the continued operation of the line in question is required for the welfare of the area affected.

The total needs of the region affected must form part of the circumstances, part of the environment under which the question of rail abandonment is to be considered; the existence of these needs may in many, if not most, cases prove to be the compelling reason why the line in question must remain. Regional needs must not be reduced, and it is not good enough to postpone consideration of regional needs until after the decision to abandon has been made.

When Bill No. C-120 was introduced into the House of Commons the association, with many others, welcomed the clear assurance given by the minister of transport when he stated to the house on September 14, 1964:

> We consider, as every government has considered—at least for a generation—that one of the national interests of this country is to maintain the tremendous grain export business that has been one of the main sources of income for the Canadian people in the whole of the twentieth century. For that reason there is no thought and no intention of disturbing the Crows nest pass rates, and those other rates which are an extension of the Crows nest pass rates on grain.

But it must be recognized that in so stating the government is only speaking of the cost of transportation from the country elevator to export positions. While this is a vitally important element in the overall cost of grain transportation, it is by no means the only element nor the one of sole significance.

It must be understood that the cost of transportation to the farmer is made up of two elements:

1. The cost of haulage from farm to country elevator; and
2. The cost of rail freight from country elevator to terminal elevators and seaboard.

The present average length of haul from farm to country elevator under the existing branch line system is of the order of ten miles. On the basis of a number of authoritative studies the cost of local transportation from farm to country elevator by full farm truck loads, averages one-half cent per bushel mile; hauling charges are therefore in the neighborhood of five cents per bushel. Taking as an example the length of haul from Regina to the lakehead, which is 776 miles by rail, the cost of transportation per bushel is 12 cents. It will be seen that, although the distance involved in local haulage is comparatively small, the cost is significantly large in relation to the total transportation bill from farm to export position.

If, through abandonment of branch lines, producers had, on an average, to double their length of local haul thus increasing their total hauling charges from 17 cents to 22 cents, the effect would be equivalent to a 29 per cent increase in their former hauling charges.

We contend that it is not enough simply to maintain the statutory grain rates in order to ensure reasonably priced transportation to the producer. Statutory rates must of course be maintained at the present level, and what is of equal importance the place at which they take effect must be maintained at the same distance away from the combine or farm granary if the effective cost of transportation to the producer is to remain the same. It is no protection to the producer to keep the statutory grain rates unchanged while taking away his easy access to such rates when forcing him to increase his haulage costs significantly in order to obtain the statutory rates.

During the past two years western agriculture has again been brought into prominence by the sale of huge quantities of wheat to the Soviet Union and China. The importance of western agriculture to the Canadian economy is once more appreciated. Every agency or group involved in the export movement of wheat can be justifiably proud of the part it played in the successful conclusion of the delivery of such an enormous quantity of wheat. Little has been said concerning the important role played by our branch line system, which enabled the railways to gather and deliver the required volume of wheat. Not nearly enough attention has been given to the fact that present day trends in grain marketing emphasize effective export promotion and market expansion

by maintaining adequate reserves of all wheat to meet the needs of customers under all circumstances. To do this we must have the smooth movement of wheat off farms into country elevator facilities. The trend towards increasing grain production and sales on the one hand, and the need to maintain competitive grain prices in export markets on the other, emphasizes the need to maintain a high degree of efficiency in our grain gathering system. We do not question the fact that some adjustments will have to be made to reflect changing circumstances, but we do seriously question any development which substantially raises costs or which forces severe and undesirable adjustments in the present highly acceptable pattern of grain delivery and shipment.

The past two years have been favourable ones for western agriculture and railways shared in this prosperity. The Canadian Pacific Railway handled 18,000 more carloads of wheat in 1963 than in 1962, and we believe this movement of wheat made a contribution to the increased profits of the railway. We will not likely have such a large movement of grain in the crop year 1964-1965, but there are indications that in years ahead we could be favoured with increased crop yields which would have to be moved to market. The farmers of western Canada are increasing their production per acre by the extensive use of fertilizers and chemical weed killers. The most recent development in the research on the hybrid wheats indicates a breakthrough could occur in the next few years.

Should hybrid wheat become practical, and with further development in the use of fertilizers, it is conceivable a 700 million bushel wheat crop in western Canada will represent ordinary production. With world demand for foodstuffs almost beyond comprehension, it is conceivable that the railways in western Canada will be called upon to move more wheat to export position than in past years. Speaking at Winnipeg on February 24, Mr. Sharp, Minister of Trade and Commerce, predicted that in the present crop year and in the crop year following, there would be annual exports of 400 million bushels. Such development should improve the volume of traffic on many lines whose future seems in doubt at the present time.

We wish to conclude our submission by making recommendations to you concerning the principles which we believe must be incorporated in the proposed legislation if it is to be made workable, and if it is to serve the needs and requirements of those who will inevitably be affected by any branch line abandonments that are allowed to take place.

1. Of paramount importance is the principle that no branch line should be abandoned solely on the basis of the profit or loss situation of the railway in relation to the branch line under consideration. Everything that has been said in this submission—the piecemeal approach adopted by the railways, the effect on the farmer in terms of removal of his existing grain delivery points, the need for the widest possible public enquiry before abandonment is authorized, the effect of abandonment on towns, villages and rural municipalities located along the line, and the expressed policy of the government not to disturb the present level of transportation cost to the farmer—are all inherent in this proposition.

2. We believe that the branch lines rationalization authority should be the only agency to adjudicate on branch line abandonments. The authority should be clothed with the appropriate powers to hear and pass on applications for abandonment rather than the board of transport commissioners. Before this branch lines tribunal, cost figures, both to the railways and the people affected, could be examined and the total effect of the proposed rail abandonment considered. The decision on abandonment and, if granted, when abandonment is to take place, should be within the sole jurisdiction of the branch lines authority.

3. We consider it to be absolutely fundamental before any decision is reached, either on the question of the railways' profit or loss situation, or on whether to abandon any particular branch line, that public hearings be held at which all persons interested, including the railways, the farmers, the grain handling industry and the communities affected, have the unquestioned right to appear and be heard, to give evidence themselves and to subject the evidence of others to the kind of searching scrutiny without which no tribunal can reach a proper decision, having regard to the interests of all concerned. Furthermore, we consider it vital that when consideration is being given to any application for abandonment, the effect on farmers, owners of country elevators, and on towns, villages and rural municipalities, be made a matter of primary concern in reaching the decision.

We realize the difficulty of incorporating any such directive into legislation granting the powers and defining the duties of a tribunal such as the proposed branch line rationalization authority. However, we would recommend the expansion of the appellate powers of the governor-in-council now contained in the Railway Act to include the power to vacate any order for abandonment. We believe the governor-in-council should be able to strike out any abandonment order completely if circumstances so warrant such action, in the same way that the governor-in-council now has power to deal with any order of the board of transport commissioners which it does not consider to be in the public interest or in the interest of any person directly affected by such order.

4. The more powerful branch lines rationalization authority we advocate requires more than the three members proposed by Bill No. C-120. It is suggested that seven be appointed. By having an increased membership every section of our country could be represented. We also suggest that since the great majority of abandonment applications will be in western Canada, the headquarters of the authority be established in the west.

5. We urge that any legislation make it incumbent on the branch lines rationalization authority to consider branch line abandonment applications on a regional basis and not on a line by line, piecemeal basis. We firmly believe that an entire review of all transportation facilities over a particular area is required in the proper evaluation of one or more rail branch lines. We would also suggest that all lines being considered for abandonment within an area be looked at together, so that the total effect of the proposed abandonment may be taken into consideration. We think that the extent of the areas under such consideration should be left to the discretion of the authority.

6. The effect of widespread abandonment will be of concern to all owners of country elevators. When any country elevator is closed down by reason of abandonment its owner will undergo the loss of the facility as well as the earning power that facility now possesses.

In addition to the element of cost to the elevator owner just mentioned, there will be the requirement for new capital investment in another elevator on a continuing railway line whenever the owner considers it desirable to replace the capacity that has been lost. Adequate provision for relief should be provided to assist in bearing the heavy burden of the reconstruction of lost elevator capacity.

7. To safeguard the interests of those dependent upon or affected by any branch line, legislation should state that whenever an application to abandon has been heard and denied, no further application in respect of that line will be considered until after the expiration of a stated period of time. The association suggests that a period of ten years would be appropriate.

8. Finally, we urge that some restriction be placed upon the meaning of public interest, as that expression may be construed to be a factor in any branch line abandonment case. In its widest application the term may be held to be the same as the national interest, and that it is more in the national interest that a line be abandoned by reason of the profit or loss situation of the railway than that it be maintained even though maintenance of the line is a matter of compelling urgency when measured by the yardstick of the local economic interests directly affected. This suggestion is prompted by the fact that in past applications to the board of transport commissioners the railways have contended for such a wider interpretation of the expression "the public interest." Up to the present the board of transport commissioners has not adopted such an interpretation, but there is no guarantee that in the future such an argument might not find favour with the regulatory authority concerned.

All of which is respectfully submitted.

Mr. Chairman and members of the committee that constitutes the submission of the North West Line Elevators Association in summary. I was asked to be the initial spokesman for the delegation. If there are questions I hope the committee will permit any one or more of the members of the delegation to provide answers to these questions.

The CHAIRMAN: Mr. Jones, you might indicate which members will remain with us and introduce them again so that every member will know who he is addressing.

Mr. JONES: On my immediate right is Mr. G. H. Sellers, president of the Federal Grain and Alberta Pacific. On his right is Mr. Cecil Lamont, president of the North-West Line Elevators Association. On his right is Mr. George Heffelfinger, president of the National Grain Company Limited and on his right is Mr. R. H. Weir, secretary of the association. Mr. Lamont and Mr. Heffelfinger may have to leave as the hour of 11 approaches. Mr. Weir, Mr. Sellers and myself will remain throughout the session.

The CHAIRMAN: Thank you very much, Mr. Jones. Mr. Rapp.

Mr. RAPP: Mr. Chairman, I am very much impressed with the brief. I think it expresses the views of grain growers in the prairie provinces. There is one question I would like to ask and no mention was made of this. What will happen to the grain elevators when the line is removed or abandoned? Will these grain elevators still accept grain, although under the present legislation, any elevator that is off-track or not on the track, is not in a position or is not allowed to accept grain? What is the stand of your association on this question.

Mr. G. H. SELLERS (*President, Federal Grain Company Limited*): Mr. Chairman, may I answer this?

The CHAIRMAN: Yes.

Mr. SELLERS: This divides itself into two parts. In the first place under the current regulations an elevator cannot be granted a licence to operate by the board of grain commissioners and take in grain if it is not on rail. So under current conditions the elevator is out of business. Secondly, assuming that those regulations could be changed, although they are there for a good and sufficient reason, the Canadian wheat board during the war paid storage on grain that was housed in curling clubs and in various other places and found that it was inexpedient and undesirable, and they have technical reasons for this change. However, there would be another factor and this is one of economics. In most cases the unloading and transshipment by truck to a further elevator would make a double handling and increase the cost. Then probably in a great number of cases it would be uneconomical, even if you could get a licence which you cannot.

Now on occasion some companies have actually moved country elevators a considerable distance. The only trouble is that if every elevator along a branch line was moved to the nearest point, you would have over building and over capacity at a point and duplication and it would not be where it should be.

In the case of the older elevators it is impractical and impossible to move them. Therefore, unlike the man who may run a filling station and sell more gasoline there, or a hotel keeper who may or may not suffer by not having people come into his hotel, the elevator operator at that point is effectively put out of business and he has an asset that is only worth its salvage value and, due to the method of construction of these buildings, this salvage value is worth very little, when you wreck them.

The CHAIRMAN: Mr. Horner, you are next.

Mr. HORNER (*Acadia*): Yes, along with Mr. Rapp, I agree that the submission is a very good one. You state on page 7 that you are very pleased to see the minister's statement concerning the Crowsnest pass rates. Yet on the first page—and I think you imply throughout your brief that Bill No. C-120 deals to a large extent with the branch line abandonment and the low level of grain rates. Would these two matters combined practically destroy the old Crowsnest pass rates or the effect of the Crowsnest pass rates as we understand them in the west?

Mr. R. H. WEIR (*Secretary, The North West Line Elevators Association*): I believe, sir, to have the effect of the Crowsnest pass rates that the government desires to have and is reflected in this statement of the Minister of Transport, the effect of these rates would have to be on the same position as they are now with regard to the farmer. That is, if the farmer were required to haul 10 or 12 extra miles it would be an added burden to him, a considerable added burden, and he would not gain the benefit that he has now.

The Crowsnest pass rates cannot be taken in a vacuum. To gain the effect of those rates the distance that the farmer has to haul must be considered.

Mr. RAPP: In a sense the cost is going to be greater to the farmer.

Mr. WEIR: Yes.

Mr. RAPP: Therefore, the effect of the Crowsnest pass rates will diminish when his costs go up on moving grain.

Mr. WEIR: Yes, that is correct.

Mr. RAPP: There is one other subject that I would like to deal with which you did not touch upon too greatly. What effect will branch line abandonment have on the storage position of western grain? This has been a very keen factor in the last few years in the selling of wheat when we were fortunate to have it in storage.

Mr. SELLERS: First of all, I do not think that it would be reasonable to say that we have too much storage capacity in Canada at the present time because there are millions of bushels even today and at some periods whole crops have been stored on the farm. Now that means that if all the lines are abandoned that are currently under consideration, and the C.P.R. may or may not intend to abandon more than currently have been brought up, it would mean we would be abandoning—incidentally, over 90 per cent of all abandonments will be in western Canada—more than 20 per cent of all the points in western Canada

Now, in my company alone we have something over 750 elevators. We could lose upward to 150 or more. To replace that storage, which would not necessarily be at the nearest point where there was a rail,—that might not be the expedient place to do it. Last fall we built the furthest north elevator in the world at a place called Hight Level, 170 miles north of Grimshaw which is north of the Peace river. This is incidentally north of Churchill.

There is an expanding farming community up there and while there are too many elevators at points to the south, there are other points where logically new elevators are required. So the capacity in some places or another, in order to permit the wheat board to make extensive sales when possible, should be provided in our opinion and that is in the interest of the farmer. Now I do not know whether I am answering this question in a proper manner but here are the figures. In Manitoba, Saskatchewan and Alberta the C.P.R. have currently 23 applications covering 630 miles. The C.N.R. have 89 covering 3,612 miles, 2,981, or a total of 3,601 as it stands. The number of elevators affected in the three prairie provinces is a total of 891, with a total capacity of 56,714,000 bushels, out of approximately 5,000 country elevators with a capacity of 300,000,000. These are the figures: 56,700,000 bushels of capacity would be lost.

Mr. HORNER (*Acadia*): With further regard to the storage question, following the Bracken commission, have the storage facilities not played a great part in the matter of the allocation of box cars to the movement of grain as a whole?

Mr. SELLERS: Yes, that is true.

Mr. HORNER (*Acadia*): And to quite a large extent storage has played a great part in the gathering of customers or maintaining customers?

Mr. SELLERS: Yes, that is true.

Mr. HORNER (*Acadia*): Therefore, this whole question of line abandonment comes right back to the farmer, concerning his choice of delivery and what particular company he wants to deal with. The whole thing hinges and ties in together.

Mr. SELLERS: Yes, that is true too.

Mr. HORNER (*Acadia*): I have one further question on this line of abandonment and movement of grain. You are probably well aware of Mr. Gordon's speech on grain movement which he made in 1962 where he said:

> Today on a thin density branch line—that is to say, a line that carries almost entirely grain and where the total volume originated is about 1,000 cars for a 60 to 70 mile line over the course of a year—it can cost the railway 10 to 15 cents or more per ton mile to carry grain to the main line, whereas truck costs for the same movement are in the range of 4 to 8 cents per ton mile—or only half the cost.

He goes on to say how much it would cost the railway to move this amount of grain.

He maintains that this same amount of grain could be moved by trucks the same distance for less than one half. Do you agree with this statement?

Mr. SELLERS: I very flatly disagree with it. I think his facts and figures are wrong.

Mr. FISHER: That is sacrilege.

Mr. HORNER (*Acadia*): I shall forgo any further questions.

The CHAIRMAN: Now, Mr. Muir.

Mr. MUIR (*Lisgar*): I agree that this has been a very comprehensive brief and that you have stated a number of things which are of concern not only to the farmers but also to western Canada as a whole. I am inclined to agree, although the Minister of Transport gave us the assurance that we have had over the years that the Crowsnest Pass agreement would be honoured, that we are largely going to lose this by reason of increased transportation costs to the farmer to his point of delivery.

I have some questions on storage and your attitude towards it which I would like to have cleared up. One is this: in the case of abandonment where you have to close down smaller elevators—and this is going to happen all over the place—would it be to the advantage of the grain company to build larger central storage? What would you consider to be the most economical way to handle grain, after abandonment is made?

Mr. SELLERS: Well, the greatest problem that faces us today, and I think every elevator company, is that it is impossible to plan with unknown factors and piecemeal abandonment. We clearly agree that there are a number of duplicating types of branch lines, and that it is in the interest of all to abandon them. We do not say flatly that you ought not to abandon any line and that we think it wrong, but we believe we ought to have a policy designed on an over-all basis and in the public interest.

We are also doing what you suggest as far as we are able to determine key delivery points. We are building larger elevators. There is, however, a limit to where efficiency stops and the correct size to build them begins. But at that point, which appears to be the key point, this is happening today.

Mr. MUIR (*Lisgar*): Would you not agree that this type of operation will largely destroy the delivery of grain as we now know it at harvest time? I am thinking of where the farmer may under present conditions draw small loads from the field to the elevator, and I am thinking of conditions where, if a line is to be abandoned, it would be necessary for him to build storage and keep his grain at home until after the harvest.

Mr. SELLERS: Well, that is a hard question to answer. Grain can be hauled and trucked a long way. We built an elevator at High Level and the farmers were hauling almost 150 miles by truck to the nearest elevator at Manning. Incidentally, Mr. Heffelfinger has elevators at these places, too. After a great deal of study we came back to our view that we were bound to get the grain at Manning anyhow and that it was not necessary in the farmers' interest to have to haul the grain that far.

In some cases what you say is correct, that better highways lead farmers to skip certain delivery points. But that is not always true. This is part of the general study of what is the economic effect of given lines. In other words, you cannot answer it with a yes or a no. It depends upon the exact location. We may confine ourselves to a number of delivery points.

Mr. MUIR (*Lisgar*): I am trying to look at this from the standpoint of the farmer. It is true of course that his grain can be delivered to a central point by using trucks. The point is that in the meantime while trucking it, while taking his grain to the elevator, he has to keep it and store it.

Mr. SELLERS: This all adds to the farmer's cost. While I am not an experienced farmer, I do have a farm some distance outside of Winnipeg, and I could haul my grain to a Winnipeg elevator. But if during threshing we could haul it to a nearer elevator, with the labour and time considered, I would haul my grain to the nearer elevator rather than straight into Winnipeg.

Mr. MUIR (*Lisgar*): What would you consider the appropriate transition period when a line has been authorized for abandonment in which to adjust your affairs in regard to the elevators that you are losing on a line? How long would you like to have before you had to abandon the elevator itself, or tear it down?

Mr. SELLERS: Well, in order to invest new money designed to be in the best interest of the producer—after all, if it is not in the interest of the producer and the economy of the country, it is not going to be a money maker for an investor at all—we have to know more than about a single branch line.

We would like to know what series is going to be abandoned in order to be able to develop the need. But generally speaking I would think that the industry at large would feel that about five years would be ample time to plan, and move, and take action.

Mr. MUIR (*Lisgar*): You are basing this assumption on the fact of it being a regional affair rather than a piecemeal abandonment.

Mr. G. W. P. HEFFELFINGER (*President, National Grain Company Limited*): Yes, we think this is very important. It does not do us much good, and the time factor is not important if we are just dealing with one branch line. Consider, for example, the southeastern corner of Saskatchewan as a whole area. If abandonment is planned, I think, within even a five year period, we would be able to make adjustments or a transition to the new marketing pattern which would develop.

Mr. MUIR (*Lisgar*): Whereas if single branch lines are taken out piece by piece, if would leave your affairs in a difficult situation.

Mr. HEFFELFINGER: About four or five years ago the western Reston-Wolseley line was abandoned and we lost two or three elevators. In order to adjust to this we built a brand new elevator at Kipling where we invested something in excess of $100,000. It provided an increase in storage. But we were extremely surprised last year when the Canadian National Railways said that they planned to abandon the line where Kipling was located. This piecemeal type of abandonment is just wasting money for us.

Mr. MUIR (*Lisgar*): You would certainly hesitate.

Mr. HEFFELFINGER: Yes, I think so. We would just be putting good money after bad.

Mr. MUIR (*Lisgar*): Whose statistics are going to be used to ascertain whether a line is profitable or not? Is it going to be those of the railway? It seems to me that there was a clash between the statistics used by the province of Manitoba and those of the Canadian Pacific Railway before the commission. There was quite a difference.

Mr. R. H. WEIR (*Secretary-Treasurer, Northwest Line Elevators Association*): Yes, I believe the costing of rail services is a very difficult art. In this present bill we were alarmed to see that the railways had the right to put in their figures and were not to be cross-examined on those figures. We believe that if figures are going to be arrived at, they must be arrived at by means of cross-examination. This is indicated by what happened in the hearings before the MacPherson commission. I believe this matter was covered on Thursday, March 2, when Mr. Cope was briefing the members here. The cost would be arrived at properly by the railways presenting their figures and standing the scrutiny of examination by interested parties, and also by the board of transport commissioners. Just to accept the railway cost figures I think would be an incorrect procedure.

Mr. MUIR (*Lisgar*): I have one final question. I would like to ask one of the gentlemen if he thinks that under either plan, where there would be considerable abandonment of branch lines, we could have handled this huge export problem that we had with China and Russia if we did not have the present system, and the present number of local elevators to bring the grain in? Do you think it could have been possible to have done it as efficiently had we not had these branch lines?

Mr. HEFFELFINGER: The year in question was an exceptional one. I can certainly say it would not have been possible if 56 million bushels of space had disappeared. I think it was very difficult to handle the amount that we did handle in that particular year, and the disappearance of line storage space in that year would have been detrimental to that movement.

Mr. PRITTIE: We have been talking about the regional approach to abandonment. I am looking at notes that I made a week ago, in connection with whether we would be doing it on an area basis or on a regional basis, and not on a single line basis.

Mr. WEIR: I believe Mr. Cope said it was implied that they would like to see it directly written into the bill that a line was up for abandonment rather than to wait until the branch line rationalization authority was considering if the line should be abandoned.

Mr. PRITTIE: Thank you.

The CHAIRMAN: Now, Mr. Muir.

Mr. SELLERS: I come back to the question you asked Mr. Muir concerning the wheat board. Mr. Sharp on a number of occasions has said that they could have sold more wheat in the particular year in question but they were afraid to do it, and were worried about trying to market all that they did sell. So I think this clearly indicates that they felt that they were straining the resources of the industry to the utmost limit.

Mr. MUIR (*Lisgar*): Do you think you would be any more efficient as a group of grain companies if you were more centralized, even though it might cost the farmer more?

Mr. SELLERS: There are two aspects: one is that it would be more desirable, if we lose 56 million bushels of capacity, that it be replaced but not necessarily in the same place. There again that is the question which is very hard to answer when the cost of replacing that storage capacity would amount to somewhere between $56 million and $75 million, depending on how it was done.

Mr. MUIR (*Lisgar*): One of these gentlemen mentioned that he thought that five years would be the minimum appropriate transition period when you could make other arrangements. What about the outside parties, the municipalities and the provinces, when there is no doubt that lines are going to be abandoned? Roads are going to have to be built, and roads cost money. And in the case of a municipality they cannot build any great number of roads in any one particular year. Therefore, for the sake of the municipalities even a five year period of abandonment would not be inappropriate.

Mr. SELLERS: The intent of our brief was not really a selfish one. The intent was to put forward the views of the producers and of at least 50 per cent of the producers in western Canada, who come under the elevators owned by this association. We are attempting to put forward their views and our own in a single manner. And when the number of years came up, naturally the longer you have, the better it is. But there are two sides to each question even though it may be a matter of getting on with the job.

Mr. Cecil Lamont (President of the North-West Line Elevators Association, Winnipeg, Manitoba): I think there is no doubt that by the time local councils get their appropriations through, with truck lines and roads built, you would need a five year period.

Mr. MUIR (*Lisgar*): I think you would need five years.

The CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: I wish to congratulate the North-West Line Elevators Association for their very comprehensive brief. I think it puts forward points of weakness in the final terms of Bill No. C-120 very well. It focuses our attention, and that of the government, on appropriate amendments. My question is going to be based on one already raised by Mr. Muir, which I think went to the crux of the whole problem. When we do get the rationalization principle fully established—and I think this is the important aspect to this whole bill—they

have it not only in name but also the authority to set it up and to look at this rationalization problem and to eliminate what to us is the greatest concern, that is, piecemeal abandonment. When they are looking at it, how are they going to arrive at the proper cost price formula? I think Mr. Muir hit on a very salient matter when Mr. Cope was here.

When this subject was brought out before the MacPherson commission there was wide variance of opinion by officials and the commissioners about what was a proper cost accounting system and whether they should accept the railway cost accounting. They referred to another independent accounting firm in the United States, whose figures were wholly at variance with the original cost formula, and their figures again were not in agreement and did not satisfy everybody concerned. Then at some time or other a third group seemed to come up with something which was acceptable to both points of view. I think this is something which has to be written into this bill. I think there should be some formula in the bill which would set out the terms of this cost accounting principle, and something on which everybody could agree. You have not mentioned it specifically in your brief, but I think it was a point well taken by Mr. Muir, and is one which is of as much importance as any other point. What is your opinion on this?

Mr. LAMONT: Mr. Chairman, in that respect we suggest an open inquiry. We quite agree with you that railway cost accounting terms are rather mysterious, even to cost accountants. When the MacPherson commission was sitting the wheat pool organization engaged special accountants from the United States and so on, and my recollection is they could not agree with the railway accountants on costing. It is for that reason we suggest the open type, where the figures presented by the railroads can be examined. Now, the people opposing abandonments would have to use the best method to ascertain whether or not they represent the facts as others might see them.

Mr. SELLERS: We believe we can look forward to larger crops over the next few years than was the case a number of years ago, and that some of the charts and yardsticks, even for the last two or three years, might change quite significantly.

Mr. SOUTHAM: Mr. Chairman, I was very interested in Mr. Heffelfinger's statement about the elevator being built at Kipling, Saskatchewan. As you know, I come from the southeast of Saskatchewan. The Reston-Wolseley Line was the first experiment we had in railway abandonment. I took strong objection to the abandonment of that line at the time because this happened prior to the MacPherson royal commission bringing in the report. I was very surprised and, indeed, very much alarmed to hear of the Canadian National Railways' application to remove that line. In my opinion, this points out very emphatically the need for a rationalization principle in this bill. It should be looked at from an overall point of view, a large regional area rather than a local area, so far as abandonment is concerned. I was very interested in hearing the comments on the question of costing; I think this is going to be one of the areas where the greatest arguments will develop, when the authority is set up under the new legislation. As I said, I was very interested in hearing your remarks.

The CHAIRMAN: Have you a question, Mr. Rapp?

Mr. RAPP: Mr. Chairman, one point that was made very clear to the committee is if railway abandonment is going to take place, as it is in Bill No. C-120, many of the storage facilities we have in the prairies will disappear. There is no question but that the grain companies will have to build some of these facilities to store the grain. But, I think there is a great need at the present time for the government to give consideration to the building of some of these storage terminals on the prairies. In the past there was not too

much use made of this but I think the time is ripe now for the government to give consideration to the building of storage terminals on the prairies. I have advocated this for some time. This matter has to be given serious consideration. If these line abandonments do go through, and I think they eventually will, the farmers will be left in a very difficult situation; they will have to haul their grain fifty or sixty miles to the next elevator. Because of the difficult snow conditions in the winter time it is imperative that these storage terminals be built by the government. Also, I think the companies have to take these facts into consideration and provide their own storage facilities.

Mr. LAMONT: Mr. Chairman, in respect of Mr. Rapp's proposal for building an interior terminal in his particular locality, may I say that we have found that these terminals have been most uneconomical. It has been established that the cheapest method of providing storage is the type of elevator which exists at the present time. We are getting into the larger type of elevator, which is of wooden construction; but, once you get into these very costly concrete interior terminals not only are they operated at a very substantial loss because, after all, somebody is going to have to pay for them, but, they are very costly to operate, particularly on account of the transhipments involved. Unless the government wants to pour a lot of money into an uneconomical system I would think these should be avoided.

Mr. RAPP: I am sorry but I cannot agree with you.

Mr. LAMONT: I was afraid you would not.

Mr. PASCOE: Mr. Chairman, may I say that the brief presented was a very interesting one. The arguments presented in the brief are along the same lines as the arguments I hear from time to time out west. I think the government will have to recognize these arguments in the new bill.

Mr. Sellers has answered to a large extent the question I wanted to put.

I believe there are thirteen elevator companies represented by the North-West Line Elevators Association. At least, that is the number in the brief.

Mr. LAMONT: I hope that is not unlucky.

Mr. PASCOE: I believe that Mr. Sellers mentioned that about 50 per cent of the grain is handled by this association.

Mr. LAMONT: Mr. Chairman, just under 50 per cent of the elevators are owned by the particular companies of the association.

Mr. PASCOE: I believe you said there were 5,000 elevators with a total capacity of 300 million bushels.

Mr. LAMONT: Yes.

Mr. PASCOE: What capacity would your association have?

Mr. LAMONT: Our capacity would be roughly over 40 per cent.

Mr. PASCOE: Forty per cent of that figure.

Mr. LAMONT: Yes.

Mr. PASCOE: Mr. Sellers, it is also stated in this brief that you are putting forward the views of producers, meaning the customers, of course, using your facilities. Could you tell me how these views were obtained? Did you obtain them from meetings or from casual comments being made?

Mr. SELLERS: These comments would be passed on to us. Our agents are in contact with the farmers every day. They report daily to their head offices and, in that way, we obtain the views of the farmer.

Mr. PASCOE: So, you could say that the views expressed in the brief are pretty well the views of your customers?

Mr. SELLERS: Yes.

Mr. PASCOE: Mr. Chairman, I want to establish one more point, namely, the need for branch lines and the use of the railroads in working with country elevators. Could you tell us the amount of turnover in country elevators during the year? I am trying to establish whether or not you use a lot more than your total elevator capacity in one year.

Mr. HEFFELFINGER: It would vary widely from elevator to elevator. If my memory serves me correctly, the turnover was approximately twice in respect of the elevator which our company operates.

Mr. PASCOE: So, the movement of trains on branch lines does facilitate the delivery to a large extent from the farms.

Mr. HEFFELFINGER: Yes. If I may, I would like to comment on the question you put a moment ago. In respect of the sensitivity of the investor-owned end of the business and the wishes of the customer, larger operating units probably would be more acceptable to us because it would be cheaper for us to operate a large elevator rather than a great many small elevators such as we operate today. But, we do not feel it is the wish of the producer to drive 25, 30 or 50 miles to his marketing point and then to have to deal with a more impersonal larger unit.

Mr. Sellers commented on the fact that several of us have built elevators at High Level during the past year. This business was being adequately served at Manning, Alberta, but because the producers did not want to drive 50 or 100 miles to Manning we were sensitive to this fact and, with a view to the future we built elevators at High Level, Alberta. It will be uneconomical for us to operate at High Level until business develops but, the producers asked for this, so we built them. Very often we do these things because of sensitivity to the producers' requirements.

Mr. PASCOE: Well, I agree with that part of it.

Mr. MUIR (*Lisgar*): In respect of most local elevators I believe they turn over anywhere from two times, as you say, to six times. Quite often, an elevator with a capacity of 50,000 bushels will handle up to 400,000 bushels.

Mr. HEFFELFINGER: Yes, this is true. I was taking what I remembered to be our total licensed capacity, which is a theoretical maximum.

Mr. MUIR (*Lisgar*): Are you taking into consideration your terminal?

Mr. HEFFELFINGER: I am talking about just the country elevators.

Mr. SELLERS: Mr. Chairman, I was going to comment on the difficulty in that regard because it is not the same every year. When sales have been poor and the terminals have become plugged, as well as the country elevators, the turnover will depend on the ability of the terminals to take the grain from the country. Now, we do have single elevators, which have a capacity of about 150,000 bushels, which handled over 450,000 bushels last year. Of course, the ideal situation is that the grain be stored at terminal elevators at the lakehead or at the Pacific coast, and that the smaller elevators have a fast and ready turnover at the country point. In order to provide service for our customers we have to provide more country storage than some surveys have shown would be the cheapest if you can get box cars and shipping orders as often as you require them you then would be able to have a very constant turnover. But, you cannot do that.

Mr. LAMONT: In respect of these figures, the dominion bureau of statistics put out figures showing the total country elevator receipts for the last crop year and, to the best of my recollection, it was around 750 million bushels, and with country elevator capacity slightly over 300 million that bears out the fact that the turnover is slightly over two and a half times. There was a very heavy movement last year.

Mr. PASCOE: Mr. Chairman, I think that emphasizes the importance of box cars and shipping orders, and the fact that branch lines can keep the country elevators moving.

I have a further question I would like to put to Mr. Lamont in respect of interior terminal elevators. We have a very large one at Moose Jaw, which is not being utilized to a very great extent at the present time. Do you see any future for an elevator of that nature on the main line?

Mr. LAMONT: Immediately I think of all the years which that elevator has been empty. I would not want to invest any money in such an elevator.

Mr. PASCOE: Perhaps we might be able to sell you one.

Mr. LAMONT: I do not think you could give it away.

The CHAIRMAN: Would you proceed now, Mr. Watson.

Mr. WATSON (*Assiniboia*): Mr. Chairman, I would like to commend these gentlemen on their excellent brief. I think it has covered the general grain picture very well.

I am very much concerned with rail line abandonments. I have looked at a map of my own riding and I have been thinking in terms of one particular point, Radville. I have noted the lines which are to be abandoned within this particular area. It appears to be a spider web. I have worked out some figures in respect of this particular riding and, according to my calculations, 77 elevators are to be abandoned if this branch line legislation goes through. This would involve over 6 million bushels of storage space. Out of a total of 891 elevators in the three western provinces there would be 547 involved in the province of Saskatchewan alone. This is a very great number. The burden that would be placed upon the farmers is absolutely intolerable. In my opinion, we are putting too much emphasis on abandonments. I think we have to take the attitude that there can be no abandonments, absolutely no abandonments, with the exception of one line that runs west of Saskatoon, where another line runs parallel to it. Perhaps there could be some arrangement in cases like this between the railways and the board of transport commissioners. There has to be co-operation in these matters.

I would like to ask these gentlemen how they view the development of the trucking industry within the next few years as it pertains to the railways. Over the week end I noticed that the Manitoba Truckers Association allowed for five big trucking companies to join their association. I was appalled when I looked at the names of these companies and the type of trucks involved because, when I travel west, these are the trucks that I see on the road. Up until now I possibly was ignorant of the situation; I thought they were private companies. However, I am beginning to realize that these are owned by the railways. What are we going to do, if, after all the lines are abandoned, they end up owning all the trucks on the highway. The railways are going to be the dictators of transportation in Canada and, in that way, the people using these facilities will have no say whatsoever in them.

I would like your opinion as to what could happen if the attitude was taken that the railways should control not only the rail lines, deliveries, the grain handling business, but also, the trucking facilities which takes in everything.

Mr. LAMONT: That is why we have to come to you for protection.

Mr. SELLERS: First of all, on a per bushel basis the big giant, the suitably designed truck, is cheaper per bushel than a smaller truck. Again, one of the best examples is this case of High Level. Farmers were having to haul their grain by truck some 150 miles and it was costing them something like 30 or 40 cents a bushel to do so; and it was unsatisfactory for them to make up the truck loads. They were not able to follow through themselves and check the

grading and handling, and in response to very strong wishes on the part of our customers we wound up by building there. It just means that if municipalities pay for an extensive network of all weather roads, and large trucks are used, there is going to be a broadened expense to the municipality; there is going to be an increased cost to the producer, and it is not necessarily going to react as a saving to the country as a whole. Again I come back to the spirit of the brief, that lines that are not in the public interest and are losing money merit consideration for abandonment. No one wants to throw away money unnecessarily. They have to be studied as a whole and not on a piecemeal basis to make economic sense and to permit further planning for not only private interests but the public interest, for farmer-owned companies and all people concerned. We felt that this might be a disastrous effect of the bill as it was previously presented.

Mr. WATSON (*Assiniboia*): I have another question. Is there a possibility that other interests would have more influence on railways than the grain trade. I am coming back to my own locality again where I understand our particular town is not up for abandonment. I do not think we handle any more grain than the branch lines running out of this junction. But, there are two clay plants which do ship a lot of clay out. Could it be that these clay product companies have enough influence on the railways that there would be a decision not to put our line up for abandonment?

Mr. SELLERS: Honestly I do not run the railways but if they are good customers I think it would behoove them to discuss this matter with the railways.

Mr. WATSON (*Assiniboia*): In my view they are not that good a customer. It would be a lot easier for the clay companies to load their products on a truck and move them 40 miles to Moose Jaw than it would be to move grain because there would be 10 times as many truck loads of grain going out as there would be of bricks.

Mr. HEFFELFINGER: I am getting a little out of my field perhaps but it would appear to me that the greatest interest shown at this time on the part of the railways is the recent development of the potash industry in Saskatchewan. I believe the railways find this very attractive and are even contemplating some spur lines to serve that particular industry. It seems to me that I read this someplace. Here and there there are undoubtedly other industries which are attracted by the facilities provided by the railways.

The CHAIRMAN: Do you have a question, Mr. Fisher?

Mr. FISHER: I am not in a position to congratulate these gentlemen since I cannot really appreciate some of the points because I am not a prairie member. But, I have a strong suspicion that in the part of your brief dealing with export grain rates you either have not faced up to the bill or you are being extremely cautious. I would like to ask you some questions relating to that.

It seems to me that the new sections, 328 and 329, in effect do dynamite the Crowsnest pass rates. They set up an alternative by which, for example, the C.N.R. and C.P.R. respectively receive a $9 million and $7 million subsidy and there is an additional subsidy relating to their variable costs. I am somewhat surprised that your organization has been so general. If you look at your page 7 on export grain rates and follow through to your recommendations, there is very little that is specific, particularly in relation to these sections. One of the things that happens when you are dealing with complicated legislation like this is that you very quickly move from generalities into specifics. I suggest to you that your brief is really of no great assistance to us in facing up to sections 328 and 329. I am rather bothered by this. I just hope that the wheat pools and the other organizations will not be so lacking in specifics with

regard to this. This is my opinion, Mr. Chairman. I do not know whether or not you would like to comment on this before I put direct questions.

Mr. LAMONT: I am not sure what you expect us to say at this stage.

Mr. FISHER: Well, in answer to a question by Mr. Horner you said that there is something rather basic with regard to the Crowsnest pass rates, in respect of these sections. You drag in the minister's assurance, the kind that politicians have been giving for generations. I put it to you that sections 328 and 329, in effect, sidestep or loop around, if you like, the Crowsnest pass rates and, in effect, are likely to put that whole relationship on an entirely new basis.

Mr. SELLERS: We can get very complicated when we look at subsidies, whether the railways need them, and what they do with them. This is on a slightly different point but, admittedly, the government is giving large sums to the railways, dedicated apparently to helping them with financial difficulties in respect of grain. Now it happens that I am interested in an air company called Trans Air and it seems a criminal thing that Mr. Gordon uses his subsidy to carry passengers at less than half the cost that they should be paying, thereby using the subsidy to drive an honest little air company out of business. So I would parry your question on the standpoint of your needs, how you use it, how you get the figures, and how you do not.

Mr. FISHER: This raises another question. For example, when we come to this matter in the next session, can we depend on anything more specific from you with regard to the sections on the grain rates and the subsidies?

Mr. LAMONT: We would like to see the bill before we comment, and it is not before us.

Mr. FISHER: I will not go any further. I just feel that you have kept somewhat detached in respect of your section on export grain rates.

Mr. LAMONT: We want to see the farmers enjoy the benefits of the Crowsnest pass rates and we also recognize that the railways have to meet certain costs because they are compelled by the government to meet those costs. But, some recognition must be taken of the railway situation.

Mr. FISHER: May I ask some questions about your organizations and the members of it? Is it right that most of these organizations are established in Fort William and Port Arthur?

Mr. LAMONT: Yes.

Mr. FISHER: This is the organization that deals, for example, with the union of grain handlers, which is known as the Brotherhood of Railway and Steamship Clerks.

Mr. LAMONT: Yes.

Mr. FISHER: I have seen some of the material that the union has prepared over the years in the course of its negotiations, showing the companies' financial stability and profit picture. I gather that in the main most of these companies that belong to the North-West Line Elevators Association are in a relatively good profit position.

Mr. SELLERS: Well, I would put it this way, that the unions are equally concerned with the wheat pools and the farmer companies and I would say that they, according to the published figures, are not exactly going broke.

Mr. LAMONT: I may say that our profits are nothing like some of the other public utilities where there is a recognized 6 per cent profit. In our net worth position our profit would be much less than any other utility company.

Mr. FISHER: You would not be like Bell, shooting for a 7 per cent figure?

Mr. LAMONT: No. We would be happy with anything like that, but we are not near that figure.

Mr. FISHER: I raise this because the shock effect of the abandonment, if it is carried out, for example, on the scale that the railways have applied, would be considerable, and questions will come up about the kind of remuneration received and the kind of protection provided. Recommendation No. 6 says: "In addition to the element of cost to the elevator owner just mentioned, there will be the requirement for new capital investment in another elevator on a continuing railway line whenever the owner considers it desirable to replace the capacity that has been lost. Adequate provision for relief should be provided," and so on. In other words, you are thinking in these terms, and here you get into a very difficult area where you have a private organization which is injured or suffers damages or requires some kind of adjustment as a result of public intervention or government activity. How do you arrive fairly at the kind of relief to be given? It seems to me that some of this might be more specific than it is in the bill. I just wondered if you had any suggestions as to the kind of relief you would like and how this would relate to your financial and profit position?

Mr. LAMONT: Well, in the first place, mention was made of the fact that there was $75 million involved in properties, and I would doubt that the companies including the pools of the United Grain Growers Association, would have $75 million of working capital between them, which is a requirement. It would be most difficult to go out and sell bonds in the face of these problems. So unless there is some form of compensation, the farmers would be called upon to accept a much less efficient grain handling system.

Mr. FISHER: What suggestions have you?

Mr. LAMONT: Well, until we see the extent of the abandonment we cannot indicate yet a plan of compensation. That is something which I think would have to be worked out with the government as to how it could possibly be handled.

Mr. FISHER: Well, the question that occurs to me is that when you come to apply a general solution of relief—I assume that not all the members of your association are on all fours in terms of financial position and so on—it is a question of how you deal with the organizations that have to be strengthened in terms of relief.

Mr. LAMONT: Some of the very smaller companies might be in a position where they would lose maybe 50 per cent of their smaller elevators and be in a completely impossible situation. Others might be stronger but they would all lose a very substantial proportion of their assets, including the farmer owned companies, the wheat pool and the United Grain Growers Association.

Mr. FISHER: Have you any general suggestion as to how to meet this relief problem?

Mr. LAMONT: There have been discussions and it may be possible through a form of tax relief. When you get down to a form of tax relief the smaller company might lose half of its facilities.

Mr. SELLERS: I might say also, if I may interrupt, that co-ops pay no taxes, whereas we support the government very heavily. Tax relief would not do them very much good because they do not have to bother paying taxes. The difficulty really is to state how this might be handled. We do not know the scope of the period of time over which it will occur because the means of handling it from the point of view of the authority in the government would be easier if it were over a planned time period than if you used an axe. We thought that someone might ask us this question. It was impossible to set down a formula but if the committee would like at a later date, we will come back with some specific ideas. I think this is a question that we cannot very well answer today.

Mr. FISHER: I appreciate this. One of the questions that comes to my mind is that you have a branch line authority which, in the terms of your argument, you want to see given more authority than is envisaged under the bill. It seems to me that a solution to be advanced would be perhaps an agency that would form a kind of relief or the extent of the relief. It occurs to me that we should be going a little further and consider giving it an even greater function, and I would be interested in your comments on that.

Mr. SELLERS: Well, being quite simple about it, some feel that the railways require some form of compensation of relief today for carrying on economically. We would find ourselves in a singular position because of the fact that we cannot get a licence. I think I answered that question before. We would feel that there should be some reasonable form of fair arbitration, perhaps designed in a combination of tax relief and or something else. The only reason that I think Mr. Lamont swung over to the tax relief is that there was some form of it permitted some years ago.

It, however, was and is restrictive. It all depends. If my memory is right, you can get accelerated depreciation to replace an abandoned line elevator in that exact or nearest spot. If anyone along that line came and built an elevator at the nearest place, it would create waste and extravagance, whereas an abandoned elevator should be put where economically it is going to do the most good. It may be a question of locating an elevator at a key place and design to operate more economically and give better service, if possible.

Mr. FISHER: You make comment about the fact of appearing before the board of transport commissioners. That is a later proposal, sort of a final decision. That would leave the railways in the position of secrecy. That is, it would be impossible really to get at their figures. One of the arguments we always encounter is the hesitancy of the railway companies, the C.N.R. in particular, to reveal details and figures, because they talk about their competitive position. I just wondered, in connection with your companies, if you are private companies. Despite the fact that you are in co-ordination with that organization, you are in competition with certain others.

Mr. SELLERS: I would say that except for the fact that we get together for this type of thing which affects us all, and incidentally we have talked it over with the president of the United Grain Growers Association and the Manitoba pool, we can still talk over the mutual problem, but there is the strongest competition between these remaining private companies which,—by the way, my company is a public company—otherwise are privately owned. The statements of my company are available to everyone, whereas the others are not. But, there is very strong competition.

Mr. FISHER: Despite the fact that in terms of presenting evidence for this authority, you do not feel the need for secrecy because competition is really an important factor and that it would sort of be divulging statistics and a depreciation of your position or something like that. In effect I am asking you to support the general theme that I have and that is this need for secrecy. Quite frankly, I think there are some things which are secret but, I think I know just as much about secrets and about how my competitors are doing, as anyone else.

Mr. SELLERS: Generally speaking, there are very few things in our operation we would not be prepared to lay before any board, but I cannot speak for the other members.

Mr. FISHER: I would like to turn to a completely different topic which interests me, as a representative from the lakehead, although you have nothing about it in your brief.

There is a section in the Railway Act relating to demurrage. As I understand it, you have a special situation about the length of time permitted before demurrage charges come into effect at Vancouver and at the lakehead. As I understand it, this is a working arrangement rather than something that is incorporated in the act. Has your group given any consideration to incorporating in the act a provision in regard to the box car demurrage arrangements that exist at the lakehead and other export points?

Mr. SELLERS: I believe it has partly to do with some order in council. What has happened in practice is that the railways have taken steps to protect themselves through a much more accurate placing of box cars. Any company, including the Saskatchewan pool or ourselves, that appears to have more cars on track or en route than they are able to unload are cut off by the railways from further cars; an embargo is put upon them. In this way they are keeping us right on our toes. We have to unload the cars quickly at either point, or we do not get the cars. This is an interesting solution to the demurrage problem. As long as they deal with the cars in this way there is no demurrage. It puts us in very bad shape if an embargo is laid upon us in Alberta or at any other point and our competitors are able to obtain cars when we cannot.

Mr. FISHER: I am interested in this because there is a special privilege for grain at the lakehead which is not extended to other products for export. Consequently, if someone is shipping something other than grain to an overseas market from the lakehead, the demurrage on the box cars begins after 24 hours, whereas at an Atlantic or a Pacific port the regulations are different and the demurrage begins after four days; the difference in time is considerable. I am interested to see the length of time extended at the lakehead. If the leeway that is presently given to grain were to be given to other products which are shipped for export the problem would be solved.

I would like to see something put into the act which gives protection against demurrage charges to the lakehead as an export point.

The CHAIRMAN: Are there any further questions?

It appears that there are no further questions, therefore we have concluded matters dealing with the brief of the North-West Line Elevators Association. I thank you very much, Mr. Jones, Mr. Sellers and Mr. Weir, and I would ask you to convey the thanks of the committee to the gentleman who unfortunately had to leave.

A brief has been received from the Canada & Gulf Terminal Railway Company. I would like to have a motion to incorporate this brief in the proceedings of the committee.

Mr. FISHER: Are they going to appear?

The CHAIRMAN: No, they have advised us they will not come, but they have sent their brief.

Mr. CANTIN: I move that the brief be incorporated in the proceedings, Mr. Chairman.

Mr. FORBES: I second the motion.

The CHAIRMAN: It has been moved and seconded that the brief of the Canada & Gulf Terminal Railway Company be included in the proceedings of the committee.

In favour? Opposed?

Motion agreed to.

There is no further business before the committee this week with the exception of a bill from the Interprovincial Pipe Line. That will come up at our next meeting which I suggest should be convened at ten o'clock on Thursday.

The only people who have indicated their desire to come before this committee in the near future—and do not forget that everyone has been advised fully about these meetings and have been asked to tell us if they are interested in appearing or to send us their briefs—are the Port of Halifax, the Canadian Industrial Traffic League, the Canadian Manufacturers' Association, and the National Farmers' Union. Meetings will be arranged to hear representatives of these organizations on March 23 and March 25.

I suggest that when the committee meets on Thursday to deal with the Interprovincial Pipe Line private bill, any question which may result from the filing of certain documents by the Department of Transport and from answers to questions which were submitted to the committee last week can be dealt with.

The committee has never replaced our Vice-Chairman, Mr. Brown. I would like a motion in this regard.

Mr. FORBES: The last report of the steering committee states that the Branch Line Association of Manitoba wanted to appear.

The CHAIRMAN: No; they notified us that they could not come.

Mr. MUIR (*Lisgar*): That they could not come today or that they could not come at all?

The CHAIRMAN: They said they could not come; but, as I told you before, the National Farmers' Union will be invited to come on March 23.

Mr. MUIR (*Lisgar*): My information, Mr. Chairman, is that not only will the Branch Line Association of Manitoba be presenting a brief but that the provinces of Saskatchewan, Alberta and Manitoba will also be presenting briefs.

The CHAIRMAN: They were all invited two weeks ago and they have not indicated any interest up to the present day.

Mr. MUIR (*Lisgar*): Mr. Parker informed me that they would be presenting their brief after the provincial briefs were presented, so they must intend presenting briefs.

The CHAIRMAN: The provinces have been present most of the time but they have shown no interest in communicating with the committee to date in this regard.

Mr. STEWART: I would like to nominate Mr. Macaluso as vice chairman.

Mr. CROSSMAN: I second the motion.

The CHAIRMAN: It has been moved by Mr. Stewart, seconded by Mr. Crossman, that Mr. Macaluso be nominated as vice chairman.

In favour? Opposed?

Motion agreed to.

The committee will adjourn until ten o'clock on Thursday, March 11.

APPENDIX B

Brief Respectfully Submitted to
THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

by

THE CANADA AND GULF TERMINAL RAILWAY COMPANY
in Connection with Bill C-120 (1964-65)
(Rimouski, Qué.)

For the following reasons, The Canada and Gulf Terminal Railway Company earnestly prays this committee to consider the importance of amending Bill C-120 that is presently receiving attention. Such an amendment could be a special legal clause whereby our company would receive a specific treatment in view of its particular situation.

Thus:

(1) The Canada and Gulf Terminal Railway Company could be considered; (*a*) as a "BRANCH LINE" according to law, and thus be eligible to a refund of its operating deficits, that is the difference between its revenue and current expenses including depreciation in accordance with the method authorized by the Department of National Revenue; (*b*) or as a "LINE OF RAILWAY" and be awarded special subsidies in view of its specific nature.

(2) Furthermore, there could be foreseen an assistance equivalent to a yield of 6% on the capital issued and fully paid.

1. *Brief History of The Railway:*

The Canada and Gulf Terminal Railway Company was legally incorporated by a law of the Province of Quebec (2-Ed. VII, chapter 60) on March 26, 1902 under the name of The Matane and Gaspe Railway Company. The present name was substituted in 1909 by another law of the Province of Quebec (9-Ed. VII, chapter 100). The existing railway was constructed about 1910 and at the time the railway received a federal subsidy of $210,053.00 by the enactment of the federal subsidy act (7-Ed. VII, chapter 63).

Regarding the operations and under the prevailing acts, that is "Maritime Freight Rates Act" promulgated in 1927, the "Freight Reduction Act" of 1958, and the "Appropriation Act" of 1961, our company, under the jurisdiction of the Board of Transport of Canada, has received from the federal government certain sums of money permitting the maintenance of this public service and the offering to its clients preferential tolls authorized by law.

2. *Effects of Bill C-120:*

The proposed act entitled "Bill C-120" would evidently result in depriving our company of the assistance of which it was taking advantage under the Freight Reduction Act and the Appropriation Act and, by other means, would deprive the company of all equivalent assistance because *being simultaneously a "LINE OF RAILWAY" of private ownership, and, in view of its operations, a "BRANCH LINE" if one considers the railways as a whole.*

If we apply what has been said to the results of the 1964 operations, excluding the amounts received under the Freight Reduction Act and the Appropriation Act, we arrive at the following deficit:

Gross operating revenue	$ 286,654
Gross operating expenses including depreciation authorized by the Department of National Revenue	291,434
Gross operating deficit	$ 4,680
Plus:	
Normal return of 6% on issued and fully paid capital of $600,000	36,000
Total deficit:	$ 40,680

In 1964, we have in fact received under the Freight Reduction Act and the Appropriation Act a total amount of $36,402 decreasing the final deficit to $4,278; this can be translated in a return of 5.28% of capital issued and fully paid.

You will realize that the application of Bill C-120, that would result in having us face a total deficit of $40,680, would lead to an unavoidable immediate liquidation of the company and the abandonment of an essential public service for an area which is about to know an economic revival not strange to the efforts of your government.

Such abandonment would discourage the implanting of new industries in the area and, furthermore, would accentuate the existing unemployment and curtail the regional production potential.

3. *Brief Summary of the Enterprise:*

The railway known as The Canada and Gulf Terminal Railway Company runs from Mont-Joli to Matane, along the south shore of the St. Lawrence, a distance of 36 miles. Besides the two cities just mentioned it serves the following intermediate points: Price, Metis-Beach, Les Boules, Baie-des-Sables, Rivière-Blanche.

The freight and express services are extended by highway transport from Matane to such localities as Cap-Chat and Ste Anne des Monts, serving a total population of about 50,000 souls. The federal law known as "ARDA" has, moreover, recognized this region as being part of a "depressed area" and the federal and provincial governments are jointly striving to develop and put into value the resources of this territory designated as "pilot territory".

The existence of our company and the application of the federal acts authorizing preferential rates have incited several industries of the implicated area to accede to exterior markets, thanks to this essential railway junction, unique, irreplaceable, that links them to the North American railway system (of which they have also been able to benefit) even giving them the opportunity to compete efficiently with similar enterprises.

Furthermore, at the terminus of Matane it seems the government will shortly have important harbour developments that will offer new outlets direct from our railway on the St. Lawrence river.

4. *Conclusions*:

We respectfully submit to this committee, bearing in mind what has been set forth that, consequently, an amendment be made to the proposed Bill C-120 which is presently the object of a study. Considering that this public service must continue to exist—and this is all the more imperative that its integration

appears evident in the measures to be realized pursuant to the joint efforts of the federal and provincial governments for the promotion of the development of the resources of this depressed area,—we deem it essential that necessary amendments be brought to the proposed act bearing in mind the existence of our enterprise and the prosperity of the region which it serves and for which area new horizons should be opened in the very near future.

March 5, 1965.

Translation.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 16

Thursday, March 11, 1965

Respecting

Bill S-42, An Act respecting Interprovincial Pipe Line Company.

WITNESSES:

From Interprovincial Pipe Line Company: Mr. T. S. Johnston, President; Mr. R. B. Burgess, General Counsel; and Mr. J. Blight, Secretary-Treasurer.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21825—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard, Esq.

Vice-Chairman: Joseph Macaluso,

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Granger
Grégoire
Guay
Gundlock
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Legault
Lessard (*Saint-Henri*)
Lloyd
MacEwan
Macdonald
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Pugh
Rapp
Regan
Rheaume
Rideout (*Mrs.*)
Rock
Southam
Stenson
Stewart
Tucker
Watson (*Assiniboia*)
Winch—60.

(Quorum 12)

Marcel Roussin,
Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, March 4, 1965.

Ordered,—That Bill S-42, An Act respecting Interprovincial Pipe Line Company, be referred to the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

THURSDAY, March 11, 1965.

Ordered,—That the name of Mr. Orlikow be substituted for that of Mr. Winch on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LEON-J. RAYMOND,
The Clerk of the House.

21825—1½

REPORT TO THE HOUSE

THURSDAY, March 11, 1965.

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

EIGHTH REPORT

Your Committee has considered Bill S-42, an Act respecting Interprovincial Pipe Line Company, and has agreed to report it without amendment.

A copy of the relevant Minutes of Proceedings and Evidence relating to the said Bill is appended.

Respectfully submitted,

JEAN-T. RICHARD,
Chairman.

MINUTES OF PROCEEDINGS

THURSDAY, March 11, 1965.
(31)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:10 a.m. this day. The Chairman, Mr. Jean T. Richard, presided.

Members present: Mrs. Rideout and Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Deachman, Fisher, Forbes, Horner (*Acadia*), Howe (*Wellington-Huron*), Kindt, Korchinski, Leblanc, Macdonald, McNulty, Pascoe, Prittie, Richard, Rock, Southam, Stewart, Tucker and Watson (*Assiniboia*).—(23)

In attendance: *From Interprovincial Pipe Line Company*: Mr. T. S. Johnston, President; Mr. R. B. Burgess, General Counsel; and Mr. J. Blight, Secretary-Treasurer. *Also in atendance*: Mr. Ian Wahn, M.P., Sponsor.

The Chairman called the Preamble of the Bill and introduced the witnesses.

Mr. Burgess and the other witnesses were called and examined.

The Preamble was adopted.

Clause 1 was adopted on division.

Clause 2 was adopted.

The Title was adopted.

The Bill was adopted on division.

The Chairman was instructed to report the Bill to the House without amendment.

The Committee asked, and Mr. Johnston agreed to table a list of principal shareholders of the company (The list is reproduced as Appendix "C" to today's proceedings).

At 11:50 a.m. the Committee adjourned until Tuesday, March 23, when it will resume its study of the subject-matter of Bill C-120.

Marcel Roussin,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 11, 1965

The CHAIRMAN: Order. Gentlemen, we will deal with Bill No. S-42, respecting Interprovincial Pipe Line Company, which was passed by the Senate on December 14, 1964, and referred to us by the House of Commons. I would call the preamble. On the preamble. Shall the preamble carry?

I would like first to introduce to you counsel for the Interprovincial Pipe Line Company, Mr. Burgess; the president, Mr. Johnston, and the secretary treasurer, Mr. Blight.

I suppose the members would like some explanation from either the agent or Mr. Burgess. Would you like to make a statement, Mr. Burgess?

Mr. R. B. BURGESS (*Counsel to Interprovincial Pipe Line Company*): Yes, Mr. Chairman, I would be very happy to.

Mr. Chairman, members of the committee, in introducing this bill to you I would just like to make a few preliminary remarks.

As shown by the explanatory notes to the bill which is now in your hands, the purpose of the bill is to subdivide each of the 40 million authorized shares of the capital stock of the company of the par value of $5 into five shares of the par value of $1 each. I am sure all the members of the committee are familiar with the situation that in an ordinary letters patent company a subdivision of this nature is done by application to the Secretary of State and is more or less a formality. This company, being incorporated by special act of the parliament of Canada, must come back to parliament to have a subdivision of this nature consummated.

The bill which is before you is in the form which has been settled with the staff of parliament and is the usual form for a bill for this purpose. I would point out that the bill, if enacted, will not increase or alter the total authorized capital of the company, which is presently fixed at $200 million. As stated above, it will merely subdivide the present 40 million shares of par value of $5 each into 200 million shares of a par value of $1 each.

I would like to take this opportunity to outline a few pertinent facts about the applicant company. In the first place, this is an all-Canadian company; 89 per cent of its 14,127 registered shareholders are Canadian, and of the 5,087,282 shares presently issued 4,464,917 are held by these Canadian shareholders. All the directors and officers of the company are residents and citizens of Canada.

I have left with the clerk of this committee a document which is entitled "A System Map", and if the members of the committee would care to refer to that as we proceed they will get some idea of the magnitude of the company's operations at the present time. It operates a crude oil pipe line 2,000 miles in length carrying western Canadian oil from the oil fields of western Canada to eastern Canada and to some points along its route in the United States. The pipe line originates near Edmonton, Alberta, traverses the provinces of Alberta, Saskatchewan and Manitoba, and through its 100 per cent owned subsidiary, Lakehead Pipe Line Company, crosses the states of North Dakota, Minnesota, Wisconsin, Michigan, and re-enters Canada at Sarnia, Ontario. From Sarnia the line extends to the Toronto-Clarkson-Bronte area. A spur line traverses the Niagara peninsula and delivers western Canadian crude oil into the Buffalo-New York area.

It should be noted that all the western Canadian crude oil consumed in Ontario under the provisions of the national oil policy is transported over this line. The company operates strictly as a common carrier. It neither buys, owns nor sells any oil. In this regard it is quite similar to a railroad in that it is purely a carrier, a transportation undertaking; it carries all oil tendered to it under published tariffs.

Generally the company is under the jurisdiction of the national energy board which has complete power to regulate the rates charged for transportation. No oil may be carried over the line except in accordance with published tariffs and these tariffs must be filed with the national energy board.

Starting from a comparatively small beginning in 1950, when the first construction of a single line commenced, the company has grown over these 15 intervening years to the point where it now carries more than 500,000 barrels of western crude oil per day.

We are proud of the fact that this Canadian enterprise operates the longest crude oil pipe line in the world. As a result of the expansion of the system which has taken place over these 15 years, the rate per barrel charged for the carriage of oil has been reduced by more than 42 per cent from the year 1950. Under our existing tariff a barrel of oil now is delivered from Edmonton to Sarnia, Ontario, for 48 cents.

Since we were speaking of 2,000 miles in length of the pipe line, the actual length of pipe in the ground, due to expansion and the putting in of second parallel lines, is about 3,500 miles. Referring again to the rate per barrel charged for transportation from Edmonton to Sarnia, Ontario, we believe this to be as low a rate for transportation of oil by a pipe line as exists in the world today.

Gentlemen, with me here I have Mr. Johnston, our president, and Mr. Blight, our secretary-treasurer. At this time I would introduce Mr. Johnston and ask him to state basically the reason for this proposed subdivision. Also, he will answer any questions in that connection which any member of the committee may ask.

Mr. T. JOHNSTON (*President, Interprovincial Pipe Line Company*): Mr. Chairman, ladies and gentlemen. The purpose of this bill, as stated is to subdivide the shares of the stock to bring the price more in line with the small investor. Over the years this stock has risen with the general market trend and today it has reached a price of about $93. This was the closing price on the Toronto stock exchange yesterday.

The philosophy in respect of the small investor is that he would much prefer to invest his money in a stock which was selling the low range of, say, $15, $20 or $25. The small investor would prefer to buy a stock either in board lots of 100 shares or round numbers of 50 shares. Now, a stock selling in the $90 range discourages him, in this philosophy, and if he bought 100 shares of Interprovincial stock today it would cost him about $9,300, which is rather beyond the scope of the average investor. With regard to the stock we were selling in the 1920's he would be permitted to buy 100 shares for around $2,000.

Also, there is a style or trend today in the stock market field. A company does not wish to have its stock sell too low, and it does not wish it to be sold too high. Surveys which have been made on the New York stock exchange, as well as on the Toronto and Montreal exchanges, by investment houses seem to indicate that in Canada the popular priced stock is in the range of $20 to $25. This encourages wide participation by the Canadian stockholder and the Canadian public which, I think, is a most desirable feature. I think the public should participate to the greatest extent possible in any company which has been successful and has contributed something to the Canadian economy. With

that in mind we, as well as the board of directors of the company, feel that a five for one split on our stock is most desirable in order to bring the price down somewhere around $20, which would permit a wider participation by the public. There is no new stock issue.

The CHAIRMAN: Have you a question, Mr. Rock?

Mr. ROCK: Mr. Johnston, I quite agree with your philosophy that more Canadians should participate in buying shares. In fact, I have always found that the majority of Canadians do not invest in Canada. I think it is time that the Canadian public receive encouragement from Canadian industry.

I note that your company's pipe line is 3,500 miles long. It would have only 360 miles farther to go to reach Montreal. I would like to know why this pipe line does not extend to the Montreal area? Would you be able to explain this?

Mr. JOHNSTON: That was a hot question two or three years ago.

Mr. ROCK: I was not here two or three years ago.

Mr. JOHNSTON: Well, there were several proposals. One proposal was a grass roots line all the way from Alberta to Montreal. At that time certain discussions and philosophies were expressed to the effect that a grass roots line, a completely new one, was not the most economical way to approach this. At that time we submitted certain studies which indicated we could extend our system to Montreal, and it would be the most economical method of moving western Canadian crude into the Montreal area.

Of course there is competition from foreign crude. I believe the final decision on the whole matter was that it was not desirable in the over-all to prohibit or restrict, or to put tariffs upon foreign crude coming into the country at that time, and it was felt that exports might hinder Canada's relationship with Venezuela. So it was not considered desirable at that time.

From the standpoint of Interprovincial, this is a public company, and it would approach a subject like that in a completely business-like manner. If it were economically feasible to do so and politically expedient, then I think it could be done from the standpoint of this company.

Mr. ROCK: There was no pressure on the part of people and oil companies who own interests in Venezuela and in the west to prevent this?

Mr. JOHNSTON: No, sir.

Mr. ROCK: I am rather surprised to receive this type of reasoning when there were only 360 miles to go.

Mr. JOHNSTON: It was also a question of laid down prices of crude that could be delivered as compared to the Middle East.

Mr. ROCK: Can you explain about that price. Would it be cheaper to bring oil from the west to Montreal than it would be from Venezuela?

Mr. JOHNSTON: I think we would be getting into the world price of crude at that point, and I do not feel I am particularly qualified to speak on it. There is a posted price of crude which you would pay in the Middle East delivered at Montreal or at Portland. On the other hand, if the company is producing its own crude and carrying it in its own tankers, it is naturally more of an economical matter. I would not know myself the laid down cost of Middle East crude at Montreal today. All I can say is that if we ever extended our pipeline east, we would be able to deliver crude in it in volume. You must understand that you would have to have a really sizeable market in order to make it attractive; and it would run somewhere around 60 cents a barrel which would be our tariff from Edmonton. Whether or not that would compete today, I really do not know.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell me when it was publicly known that the company proposed to make this application?

Mr. JOHNSTON: Our board of directors meeting was on June 10, and we applied to parliament right after that. I think we went through the formality of advertising the bill. So it was in July, probably four weeks after June 10. We announced of course that we were going to petition parliament immediately after our June 10 board meeting.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What was the market value of your shares before the announcement?

Mr. JOHNSTON: It was about $85.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): We were told in the House of Commons that it has now gone up to $93. Is that correct?

Mr. JOHNSTON: Our closing price yesterday was $93 and a fraction.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Could you give me any idea of the volume of trading in the shares of your company?

Mr. JOHNSTON: Yes, we have the figures. I can say that over the years I have watched this thing, and I would say that it ran from 700 to 1,000 shares a day. I think that is probably a reasonably good average. One thousand may be high, because our figures show that in June they traded 25,000; in July, 22,000; in August, 19,000; in September, 26,000; in October, 14,000; in November, 18,000 and in December, 12,000. So, if you figure the number of days, 20 or so in a month, less than 1,000 a day is not an unreasonable figure, I would say, for the over-all.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There would be shares available for purchase by your employees under the employees' savings plan?

Mr. JOHNSTON: The employees' savings plan shares are purchased on the open market at intervals of three times a month, I believe. This is not done at stated intervals, because we do not wish to establish a pattern, but we do make purchases two or three times a year.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Thank you.

Mr. PASCOE: Mr. Chairman, I came in a little late and this question may have been answered. I would like to ask Mr. Johnston, in respect of the employees, how many employees does the company have?

Mr. JOHNSTON: We have just under 600. I believe 598 is the exact figure.

Mr. PASCOE: I was interested in this employees' savings plan. Would you tell us how it works; is it voluntary?

Mr. JOHNSTON: It is voluntary so far as the employee wishing to contribute is concerned. Of course, the theory behind any savings plan essentially is savings, and we would like to encourage that.

Mr. PASCOE: Is it a fair question to ask whether the fund is quite extensive now?

Mr. JOHNSTON: Yes. Over the years our employees have accumulated in the plan something in the area of 11,000 shares which I think is a rather sizeable amount.

Mr. PASCOE: Do the employees have outright possession of those shares, or would the company have a share in them?

Mr. JOHNSTON: No. Each year they are permitted to withdraw a third of their contribution and the company's contribution with the idea that two thirds will remain in the plan. However, on termination of employment, an employee is permitted to make his withdrawal, and in the meantime he receives the dividends which accrue.

Mr. PASCOE: This map shows the lines coming in from Saskatchewan such as the Mid-Saskatchewan Pipe Lines Ltd., the South Saskatchewan Pipe Line Co., and Trans-Prairie Pipelines Ltd.

Mr. JOHNSTON: Yes.

Mr. PASCOE: Is there much of a flow coming in from Saskatchewan?

Mr. JOHNSTON: Yes. It comes in at Cromer, Manitoba, which is just over the Saskatchewan-Manitoba border. All the South Saskatchewan crude is brought in there and there is a small line coming in from Virden to the north. The Saskatchewan crude is delivered to us through the lines in the Regina system in respect of heavy crude, and through the other lines from southern Saskatchewan into Cromer.

Mr. PASCOE: Is it transported at the same rate you mentioned earlier?

Mr. JOHNSTON: The rate we quoted is our rate. There is an additional tariff for those pipe lines. They have a separate tariff.

Mr. KINDT: Mr. Johnston, on the question of price, can you outline briefly how the price of oil is set to well operators—wellhead prices—in Alberta where delivery is made to the Interprovincial Pipe Line Company? I realize that your corporation has nothing to do with buying the oil; you are a transporting company. However, I am interested in how the price is established there, because you have a monopoly.

Mr. JOHNSTON: You must remember that I am not a producer. Of course, there is a wellhead price. That is established by the producing companies, with the ultimate result that the oil must be competitive in any market where it is laid down. The price of western Alberta crude and other Canadian crude delivered at Sarnia has to be a price that is competitive or otherwise the oil just will not sell. In respect of our portion of that laid down cost, Interprovincial's tariffs are set quite independently. Consistently we have reduced our tariff as our volume has increased. As Mr. Burgess pointed out, when we started in 1950 the figure, I believe, was about 80 cents a barrel. At that time we were moving a relatively small amount of oil. As the volume increased, we have been fortunate in being able to reduce that tariff so that now that same barrel of oil moves for 48 cents as against the original cost of, I think, 82 cents, or something in that order.

Mr. PASCOE: Did you say the cost is down to 42 or 48 cents now?

Mr. JOHNSTON: It is now 48 cents. It is a 42 per cent reduction.

Mr. PASCOE: In addition to what is given here as an excuse—the fact that you want to get greater participation among small shareholders, which is a desirable thing, and which makes good public reading—what is behind it? Let us come to the point.

Mr. JOHNSTON: Absolutely nothing, sir. I am perfectly honest about this: there is no ulterior motive in this. There is no intention on the part of management or the directors to participate in any way in any extravagant bonanza, as you might call it, or anything else. If the stock is split, the price will be reduced accordingly. The dividend will be reduced accordingly. It really is as simple as that. I believe quite often people have a misconceived idea that a board of directors or large shareholders will participate in these stock splits to a large extent. I can indicate to you that I am the largest shareholder on the board of directors. I hold 3,637 shares of stock which is not an extravagant amount. We have two directors who hold 500 shares; one director who holds 250 shares, two who have 100 shares, and one who has five shares.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What was the last dividend declaration?

Mr. JOHNSTON: At the first of March it was 85 cents.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is quarterly?

Mr. JOHNSTON: Yes, sir, the quarterly payment made on March 1.

Mr. DEACHMAN: I would like to deal with the capacity of the line. I think you said it delivers 500,000 barrels a day?

Mr. JOHNSTON: That is approximately correct.

Mr. DEACHMAN: That is what is delivered now?

Mr. JOHNSTON: Yes.

Mr. DEACHMAN: What is the capacity of the line?

Mr. JOHNSTON: That is a difficult question to answer because the line itself has different capacities in different sections. For instance, we have a large quantity of oil being taken into the middle of our line at Cromer, Manitoba. I would say generally we figure we should have 15 per cent reserve capacity in our over-all system.

Mr. DEACHMAN: The way it stands now you have a reserve of about 15 per cent?

Mr. JOHNSTON: Yes. It would vary between 12 and 15 per cent, but 15 per cent is the figure we like to have and we plan our construction program with that in mind.

Mr. DEACHMAN: If you went up 15 per cent you would be running the line at just about your capacity?

Mr. JOHNSTON: Yes; it would be wide open.

Mr. DEACHMAN: What is the future having in mind the delivery of oil to the east? Are we reaching a point where we will need additional capacity?

Mr. JOHNSTON: Yes.

Mr. DEACHMAN: What has been the history of the growth in the delivery of oil?

Mr. JOHNSTON: This year we built additional loops into our system to take care of our 1965 increase. This summer we are planning to spend about $12 million to further expand the system to take care of our 1966 requirement which is in the order of about 5 per cent. These expansions take place. It is a rather involved hydraulic study, as you can imagine, with the different types of crude carried. This expansion takes place at strategic places where the capacity may be a little tight. We plan our construction to take care of the following year's demand. It looks as if 1966 will be in the order of 5 per cent beyond 1965.

Mr. DEACHMAN: So you plan about two years ahead and build about a year ahead?

Mr. JOHNSTON: That is the unfortunate thing; that makes it difficult, but generally that is it.

Mr. DEACHMAN: There is a steady growth of new capital development and investment has expanded.

Mr. JOHNSTON: We have installed over $90 million of plant in the last ten years; this has been out of our own reserves.

Mr. DEACHMAN: If I am not wasting the time of the committee, I would like to ask some further questions. To what extent is oil being used for industrial purposes; is this a growing factor in the transport and movement of oil?

Mr. JOHNSTON: Our studies of the market indicate that there is not any sizeable increase in the use of Canadian crude in the western provinces; I am not speaking of British Columbia because we do not go that far. I am speaking

of Saskatchewan and Manitoba. The demand there has been a very small but not remarkable increase.

Mr. DEACHMAN: Do you see a further substantial area for growth across the prairies and further?

Mr. JOHNSTON: Our forecast does not show any remarkable increase. The greatest increase we see is down in the east, in the Ontario market particularly, and to a small extent what the United States market is able to take.

Mr. DEACHMAN: So, for the foreseeable future, the growth area for Canadian oil coming out of the west is the eastern Canadian market?

Mr. JOHNSTON: That is what our studies indicate.

Mr. DEACHMAN: Is there a growing demand for oil in the south, or is the southern United States oil in competition?

Mr. JOHNSTON: No. Canadian crude is competitive in certain markets in the Toledo-Detroit area. Of course, we are faced with certain restrictions and a duty on imports of Canadian crude into the United States. Only yesterday in Washington was this rather large meeting held which was called by Secretary of the Interior Udall to discuss this whole program. On the whole the export of Canadian crude into the United States has increased gradually over the years. As we see it, I think in 1965 it will be about the same as it was last year. I do not see any increase at the moment. Of course, this is controlled.

Mr. PASCOE: May I ask a supplementary question? Your map shows that Moose Jaw is quite a good market. Could any other company take up that line if it wanted to set up a refinery in any kind of a monopoly?

Mr. JOHNSTON: If there was a new refinery I am quite sure the producers would be delighted to sell them the oil.

Mr. PASCOE: Thank you.

Mr. MACDONALD: I understand your view is that without some kind of quota protection you would not be able to carry western crude into the Montreal market?

Mr. JOHNSTON: I do not think I expressed it in quite that way.

Mr. MACDONALD: I was not here and one of my colleagues informed me that is what you said. I presume there are no immediate prospects.

Mr. JOHNSTON: I think Canada is quite reluctant to place tariffs on foreign crude coming in here; I think that is a policy. In their eyes I do not think they believe it is a desirable thing to shut out this market.

Mr. MACDONALD: Do the products in this market go east, say, of the refinery at Clarkson?

Mr. JOHNSTON: This is a crude line.

Mr. MACDONALD: Does the crude go east of Clarkson?

Mr. JOHNSTON: It is the end of our system.

Mr. MACDONALD: Are the refineries at Clarkson and at other places in Ontario such as Sarnia working at capacity?

Mr. JOHNSTON: Pretty close to it.

Mr. MACDONALD: I believe you said you are within 15 per cent of capacity and that any addition would require extension of your facilities.

Mr. JOHNSTON: Yes. We very definitely plan that. We have a program for this summer.

Mr. MACDONALD: Could this be done without putting in what would be the equivalent of a second track of railway?

Mr. JOHNSTON: We loop the line; we lay another line alongside the other in the tight places which permits greater capacity in those areas.

Mr. MACDONALD: How many authorized shares now are outstanding?

Mr. JOHNSTON: There are 5,047,000 authorized shares now outstanding.

Mr. MACDONALD: So you would not require a further authorization of capital if you decided to have a major underwriting.

Mr. JOHNSTON: No, sir. We have no plans of increasing the equity stock at all.

Mr. MACDONALD: Is it possible for you to say where control of the company lies?

Mr. JOHNSTON: Yes, sir. Fifty seven per cent of the company is controlled by the public. There are three major shareholders who have 47 per cent of the stock.

Mr. MACDONALD: Would you identify those shareholders?

Mr. JOHNSTON: Yes, sir. Imperial Oil, who were the instigators of the program back in 1949 own 33 per cent; B.A. (American) own about 8 per cent which is the stock which originally was sold to Gulf Oil, and Shell, who now own Canadian Oil, participates in the company to the extent of 100,000 shares. If you add those up it is 47 per cent.

Mr. MACDONALD: In respect of the other shares in the hands of the public do you know of any shareholder who has more than 10 per cent?

Mr. JOHNSTON: No.

Mr. MACDONALD: Five per cent?

Mr. JOHNSTON: We have a list here. Most of it is in investment trusts.

Mr. MACDONALD: It is widely held?

Mr. JOHNSTON: Yes. There are 14,000 shareholders.

Mr. KINDT: Mr. Chairman, I think this bill ought to be held up until such time as we have witnesses before us who will explain the monopolistic tactics of this company. As was stated, 33 per cent of the shares are held by Imperial Oil, 8 per cent by British American, and some by Shell. I would like to know what the effect of this is on the independent oil producers of the west.

Mr. Chairman, this is a monopoly. I have been familiar with this situation for some time. We are being asked to justify or grant a split in the shares of this company and to make that split in the dark. This committee is no place to bring such a proposition without providing witnesses to answer certain questions. So far Mr. Johnston has not come forward with answers to particular questions of a significant nature. This would lead me to believe that there is something else behind the operation of these companies, which will have a vital effect upon the development of oil in western Canada. Now, we require a clear statement in respect of this question of monopoly in the operations of the oil industry of western Canada so that we will be able to pick up the economic factors involved.

Mr. Chairman, I want to vote for this bill; I want to see it go through, but I believe the people are entitled to know what the facts are behind it.

The CHAIRMAN: Dr. Kindt, I think in fairness to the witness you should state the question which you think has not been answered.

Mr. KINDT: I have already stated it.

The CHAIRMAN: Would you please put your question again. I think it would be fair to the witness if you did that so that he will know the information you require.

Mr. KINDT: Mr. Chairman, I want to know what effect the monopolistic tactics of this pipe line company has upon oil development in western Canada and the independent producer.

Mr. HORNER (*Acadia*): Mr. Chairman, what Dr. Kindt is saying in essence is that we have before us a company who naturally are interested in supporting this bill. But, we are hearing only one side of the story and I think Dr. Kindt is suggesting that this is not enough, that perhaps we should hear from other interested parties in order to properly evaluate the necessity for this bill.

Mr. STEWART: Is it being suggested that the company should be nationalized?

Mr. HORNER (*Acadia*): Dr. Kindt is not suggesting anything of that kind.

Mr. KINDT: You know better than that.

Mr. STEWART: I cannot see the alternative you are proposing.

Mr. DEACHMAN: Mr. Chairman, Dr. Kindt has referred to monopolistic tactics and I think it would be very beneficial to the members of the committee if he would explain what he means by monopolistic tactics so we will at least know what he has in mind.

Mr. KINDT: Mr. Chairman, I will be glad to do that for Mr. Deachman's information.

Monopolistic tactics are where you have a policy of controlling all the corporations in such a way that they can control prices. That is what I meant by monopolistic tactics: I say that this particular pipeline, owned, as it is, by Imperial Oil, British American and Shell, have control over it and they are, indeed, throttling the development of the oil industry in the west.

Mr. JOHNSTON: Mr. Chairman, may I answer that question. First, Shell is not represented on our board of directors. Its holding of 100,000 shares of stock is not an extravagant one. I think you have in mind that these companies can control our published tariff rates. These tariffs are published and, as I pointed out, we have consistently reduced tariffs over the last twelve years, consistent with the volume that has been transported through the line, thus making oil deliveries at the refineries cheaper than they ever were. There are a total of nine directors. Four are shippers, and five represent the outside shareholders or the 57 per cent public ownership of the company. When rates and tariffs are discussed at this board a perfectly reasonable discussion takes place; I can assure you there is absolutely no pressure put on management to try to establish rates which would be advantageous to the shippers. As I have said before, we have no ulterior motive.

Mr. KINDT: Then, could you explain the pressure which at one time was brought in the Bay City area of the United States, which had an effect upon price.

Mr. JOHNSTON: I am sorry but I did not hear your question.

Mr. KINDT: There was some pressure brought to bear upon a company at one time by some interests in the United States.

Mr. JOHNSTON: No, not to my knowledge. We have no control over the price of crude; we do not have anything to do with the cost of drilling or discovering a well; we have nothing to do with the well-head price. Ours is a completely free transportation system. We are a common carrier, and our rates are established independently. Of course, we try to keep to that procedure.

Mr. KINDT: Would you say then that there is equal opportunity for independent oil producers in the west who wish to deliver their oil through your pipe line.

Mr. JOHNSTON: Oh, absolutely. We are a common carrier. Our rates are approved by the national energy board and if anyone has any complaint whatsoever in respect of the tariffs on our pipe lines all they have to do is ask the national energy board for a hearing.

I could not tell you how many producers deliver oil through our system. I would not know the answer to that because the oil is delivered into these other carrier lines coming into ours. But, I do know that we have some 23 delivery points. Of course, any restriction on receiving oil is completely out of the question.

Mr. MACDONALD: Mr. Chairman, I have a supplementary question. As a common carrier you have no right to refuse delivery of oil from anyone.

Mr. JOHNSTON: No, sir.

The CHAIRMAN: Have you a question, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Mr. Chairman, I would like to pursue my question of a few moments ago in respect of your dividend declarations. You told me your last dividend declaration was 85 cents quarterly.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it be fair to suggest that the annual dividend would be approximately $3.40? Has it been about that figure?

Mr. JOHNSTON: Yes, $3.40.

Mr. BLIGHT: That is what it would be now.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is what you would anticipate it to be.

Mr. JOHNSTON: Yes. I would say that is what we would contemplate for 1965.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): So, that would be $3.40 on a $5 investment?

Mr. JOHNSTON: No.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Per share? Wait a minute; this is based on your capitalization. Many of these shares originally were sold at $5.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Can you tell us how many shares were sold at $5 which are drawing the $3.40 dividend?

Mr. JOHNSTON: At the present time there are 5,087,000 shares outstanding. Of that 5 million, 3,596,000 were issued at $5 or its equivalent. There were 3,600 shares issued at $5.20 which were late; when the convertible debentures were converted a few did not come in at the right time and we allowed them to be converted. That is another 3,600. Some 1,439,500 shares were issued in 1953 at $18; par value is $5. There was a premium of $13 on top of that.

Mr. WATSON (*Assiniboia*): What year was that?

Mr. JOHNSTON: That was 1953, and 47,450 were issued under the provisions of the company stock option plan.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): At what price?

Mr. JOHNSTON: Just a minute, please. This was 1954 to 1964, and the option price varied between $25.75 and $53.23, and on this $237,250 of par value the company received $1,320,612, and this was paid into the company's treasury. The stock option plan expired on April 1, 1964.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Then you would agree there have been very handsome returns on the shares?

Mr. JOHNSTON: I would say that, yes. But, may I say that this has been a successful company from a business standpoint. It has contributed a great deal to the Canadian economy, and it has provided Canada with one of the largest

crude oil pipe lines in the world, and delivered crude oil at the most economical rate.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Shall we get back to our onions? In addition to this dividend distribution, which you agree has been very handsome, you told us a while ago the company also has invested from their own earnings $90 million in the last ten years.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is also rather handsome.

Mr. JOHNSTON: Very good.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Very good, indeed.

Mr. JOHNSTON: Without additional financing.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Precisely, without additional financing.

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Now, is it possible, Mr. Johnston, that these rather lavish returns have become embarrassing and that they would not appear so embarrassing if your shares are split five for one.

Mr. JOHNSTON: I have not been embarrassed at all, sir.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): But, you might be. If your customers or clients, or however you describe them—

Mr. JOHNSTON: Shippers.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): —were to get a clear picture of this it might be that they would question the rates you were charging them for taking the oil to eastern Canada.

Mr. JOHNSTON: I do not think that would be right, no sir. The charge for oil moving over 2,000 miles, namely 48 cents, is certainly competitive.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I suggest that the 48 cents is completely irrelevant unless taken in the context of the earnings of your company.

Mr. JOHNSTON: Our earnings can be very clearly established in the order of 6 per cent, which is not an extravagant earning for a company with that amount of capital.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How do you calculate the 6 per cent? I always have been interested in this.

Mr. JOHNSTON: Well, it is a very difficult thing to do. It goes back to the rate set by the Interstate Commerce Commission, when Canada had no rate. When we started up here we had no real basis to establish the rate of return. It is based on the fixed assets at cost.

Mr. BLIGHT: Reverting to the $90 million, this amount has not all arisen from our earnings. We have reinvested depreciation moneys, deferred income tax moneys, which has provided us with cash with which to invest in additional plant facilities. So, the whole $90 million has not been from earnings.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I am glad you brought that up. I was going to put a question in respect of depreciation allowances later on but, as you have mentioned it, could you advise what proportion of your $90 million would come from investment of your depreciation allowances?

Mr. BLIGHT: Our depreciation is some $95 million and our deferred income tax is some $25 million or $26 million. You realize this gives us a cash flow, which we can invest in plant facilities over and above all the retained earnings we have not paid out in the form of dividends.

Mr. PRITTIE: What form of depreciation do you use? Is it the same type as the drilling companies use. Is it based on an estimated service of the pipe line or its related facilities?

Mr. BLIGHT: Our pipe line is based on thirty years of service; some of our buildings, thirty-five to forty years; some equipment, thirty years, and tanks, thirty-five years. Each type of equipment varies with the period we think it will last.

The CHAIRMAN: Have you completed your questioning, Mr. Cameron?

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Just one further question, Mr. Chairman. You mentioned a figure of $90 million. Over what period is that?

Mr. BLIGHT: Since the inception of the company.

Mr. FORBES: I understood that Imperial Oil, B.A. and Shell own a major portion of the shares. Does this give them a priority on the use of the line?

Mr. JOHNSTON: Absolutely not.

Mr. FORBES: How do you arrange their quota?

Mr. JOHNSTON: Anyone can tender oil to us. There is a system laid down where they tender each month their requirements for the following month. We accept all tenders. If it should ever happen that the tenders exceed the capacity of the system—God forbid; we are in business to supply the market, and we have not reached that situation yet—the tenders then are all prorated.

Mr. FORBES: On a quota basis?

Mr. JOHNSTON: On a basis proportionate to the amount shipped by each company up to the capacity of our system, and we have not reached that to date. We accept anyone's oil. We are a common carrier and carry it all at the same rate.

Mr. FORBES: Is the line now in continuous use or are there any lapses?

Mr. JOHNSTON: It is in use twenty-four hours a day, seven days a week.

Mr. FORBES: This is the point I was getting at. I would imagine that the person who owned the largest number of shares would have a priority under the circumstances.

Mr. JOHNSTON: No, no not at all. If they want to tender 100,000 barrels of oil, that is fine, our carrier will take it if we have the capacity. A small shipper may want to ship only 40,000 barrels a day; we take all of them. No, there is no discrimination among shippers in any way.

The CHAIRMAN: Have you a question, Mr. Leblanc?

Mr. LEBLANC: Is it not true that if you were incorporated under the Canadian Companies Act you would have to go through only the Secretary of State to have a subdivision of the capital which you are requesting here?

Mr. JOHNSTON: That is right.

Mr. LEBLANC: So, the only thing you would have to do is issue some papers and you would obtain it.

Mr. JOHNSTON: That is a very simple procedure.

Mr. LEBLANC: That is, if you are incorporated under the Canadian Companies Act?

Mr. JOHNSTON: Yes.

Mr. MACDONALD: Mr. Chairman, I wanted to ask a series of questions based on a suggestion I seem to find inherent in the remarks of Mr. Cameron, that if the shippers knew the earnings record they might ask for lower rates. As a public company your earnings over the years have been public information.

Mr. JOHNSTON: Yes.

Mr. MACDONALD: And, in particular, the retained earnings you have reinvested back in the company is public information.

Mr. JOHNSTON: Yes.

Mr. MACDONALD: So, these figures have been a matter of public record?

Mr. JOHNSTON: Yes.

Mr. MACDONALD: They appear in your annual report.

Mr. JOHNSTON: Yes, it is a matter of public record.

Mr. MACDONALD: How many widows and orphans are delivering oil to your pipe line? Perhaps I should put the question the other way around. Do you find most of your shippers are pretty sophisticated business people?

Mr. JOHNSTON: I would think so. They are in a business which, in itself, is competitive, and if they do not survive in that climate I do not think they should be in business.

Mr. MACDONALD: As I understand it, the shippers have had a full right since 1960 to object to any rates before the national energy board.

Mr. JOHNSTON: Yes.

Oh, yes, the board of transport commissioners had that jurisdiction before the Pipe Lines Act.

Mr. MACDONALD: Have you received any objections from the shippers?

Mr. JOHNSTON: No. There was one question in the United States of a refinery at Duluth, Minnesota, which claimed that we were discriminatory, and they appealed first to the Interstate Commerce Commission. But the Interstate Commerce Commission said they had no case at all. So they brought it up here and there was a hearing before the board of transport commissioners, and their plea was disallowed.

Mr. MACDONALD: There were none of these substantial with that exception. Over the years have you ever received complaints about this earnings record?

Mr. JOHNSTON: No.

Mr. HORNER (*Acadia*): What is it that determines whether or not you should issue more shares? In this business of splitting shares and issuing shares it seems to me that the company would prefer to split shares rather than to issue more shares. I realize you may have explained it already, but that does not bother me. I had to attend another meeting, but I am here now. I want to know what it is that makes you decide whether or not to issue more shares.

Mr. JOHNSTON: I think the only time we would consider issuing more shares would be at a time when we required additional capital. I think, as you well know, that when you raise capital, you can take it from almost any source. You could have a combination of equity stock or bonds, or one or the other. In our particular philosophy we have no desire or interest to issue any more common stock. In financing, we might over the years be tied to financing in the form of sinking fund bonds, or first mortgage bonds. I can assure you that we have nothing in mind at the moment in the way of equity stock.

Mr. HORNER (*Acadia*): The sole purpose of this bill is to give more encouragement to the small Canadian investor to invest. Is that right?

Mr. JOHNSTON: Yes.

Mr. HORNER (*Acadia*): How many small Canadians are now investing in the 57 per cent of your shares?

Mr. JOHNSTON: We have approximately 14,000 shareholders.

Mr. HORNER (*Acadia*): What would be the average number of shareholders that you would have who were small investors, and what would they have? Could you give us some idea?

Mr. JOHNSTON: That is a pretty difficult question to answer.

Mr. HORNER (*Acadia*): After all, we are here to try to help the small investor, and we should hear his case.

Mr. JOHNSTON: We only have 37 shareholders who have more than 10,000 shares.

Mr. HORNER (*Acadia*): You say 37 shareholders?

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): Who have more than 10,000 shares?

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): Can you break that figure down any further? How many shareholders have more than 1,000 shares?

Mr. BLIGHT: We do not have that.

Mr. HORNER (*Acadia*): You say you do not have it.

Mr. BLIGHT: No, sir.

Mr. HORNER (*Acadia*): I do not mean to be unduly critical, but it appears to me that you should have it. We are here to decide on a share splitting. That is an old gimmick that we hear of from time to time when various companies come before this committee. We are here to try to help the small Canadian. That is the purpose of this bill. I believe this is information which should be given to the committee. How badly needed is this legislation? That is the question I ask myself. How badly needed is this bill? Is the small investor really hampered with his $85 to $93 per share? This is the question I ask myself. Unless you can produce to me, at any rate, evidence to the effect that the small shareholder is hampered, I shall have to vote against the bill.

Mr. JOHNSTON: Well, I think I can show you what has happened. Let us take Trans-Mountain as an example. When they split their stock, in 1956, they had 5,521 shareholders as of December 31, 1956. One year later there were 7,027, and today they have 17,363 shareholders, as of November 30, 1964. So the shareholders in that particular company have grown from 5,521 to 17,363.

Mr. HORNER (*Acadia*): This is good evidence, but I would assume regarding Trans-Mountain that in the same period, that of nearly 10 years, their business has perhaps doubled or tripled, and so on. We would imagine that the number of people investing in your company's shares would have increased at any rate. May I be given some evidence that there is a demand by the small investor for a lower priced share? This is the whole essence of the bill, as I see it. Is there a demand or is there not? We just have not had that evidence as far as I am concerned, not since I have come here anyway.

Mr. BLIGHT: May I approach your question about how many small investors we have? I do not have a breakdown by thousands, but we do have approximately 14,100 shareholders who own one million and nine shares. This works out to an average of 136 shares for each of the small shareholders owning less than 10,000 shares.

Mr. HORNER (*Acadia*): You say 136 shares?

Mr. BLIGHT: Held by each of the 14,100 shareholders.

Mr. HORNER (*Acadia*): Could you bring us up to the next bracket?

Mr. BLIGHT: The only figures I have available show that 37 shareholders own more than 10,000 shares.

Mr. HORNER (*Acadia*): Each?

Mr. BLIGHT: I am sorry, I should say in excess of 10,000; 37 shareholders own 3 million shares; this includes Imperial Oil.

Mr. HORNER (*Acadia*): Out of five million and some odd shares?

Mr. BLIGHT: Yes.

Mr. HORNER (*Acadia*): That leaves 1 million shares for which you have not accounted.

Mr. BLIGHT: One million and nine; that is the figure I gave you first.

Mr. JOHNSTON: In my basic remarks I think I tried to indicate what the feeling of the investor is. I said that the average small investor had a preference to buy stock within the range of $20 to $25 or somewhere in that order, when he has a desire to own stock; whereas today in order to buy 100 shares of our stock at $90, it would cost him $9,000 which I think is beyond the means of the average man. On the other hand, I believe that people who have $2,000 to invest are more numerous than people with $9,000; and on that basis, with the trend or pattern in the investment field of popular stocks at a price of $20 to $25, this is certainly the market.

The CHAIRMAN: Are you through?

Mr. HORNER (*Acadia*): Yes, for the time being.

The CHAIRMAN: I have Mr. Deachman, Mr. Prittie, Mr. Watson, Mr. Pascoe, and Mr. Fisher:

Now, Mr. Deachman.

Mr. DEACHMAN: I want to ask Mr. Johnston about the trading in his stock. When he made his introductory remarks he referred to the rate at which his stock was traded on the exchange. Does he consider that to be a slow rate of turnover for stock of that nature?

Mr. JOHNSTON: It certainly has not been excessive in any one day. I do not need to classify this with mining stock at low prices where you get several thousand shares. But I think it might be rather on the light side for a major company.

Mr. DEACHMAN: Imperial Oil sells for around $30 to $35. Would it not be trading a good deal more?

Mr. JOHNSTON: Imperial is selling in the $55 to $57 range today.

Mr. DEACHMAN: On a comparative basis it would be trading more actively. Do you consider it essential to have a more accurate basis of trading on the exchange in order to finance the company?

Mr. JOHNSTON: We think it desirable, yes.

Mr. DEACHMAN: Do you think that the general purpose of this bill is to create a more active market on the exchange?

Mr. JOHNSTON: In order to provide wider participation.

Mr. DEACHMAN: And you think that this will provide wider participation.

Mr. JOHNSTON: Yes, sir.

Mr. HORNER (*Acadia*): I have a supplementary question. You have an established business in the field of transportation. There is nothing speculative about the company's operations. Why would it necessarily have an active trading on the stock market? It would not be as active as Imperial Oil which is doing a tremendous lot of exploration work which would make it far more speculative than an oil transportation business.

Mr. JOHNSTON: I do not think the word "speculation" enters into this company at all.

Mr. HORNER (*Acadia*): Exactly; I agree with that.

Mr. JOHNSTON: I think this is a business venture. I think an investor would want to invest in a company of that type.

Mr. HORNER (*Acadia*): You would have much slower trading on the stock market in regard to your shares because this is not a speculative company.

Mr. JOHNSTON: You certainly would not get it. The high priced stock moves at a wider range than the lower priced stock. It is all relative. With a stock at $20 you may go up only one half a point, where you would go up a point and a half with a stock selling in the range of $100. I think that I.B.M. is a good example. Its average trade is from 10 to 12 shares, but the stock itself sells at $300 or something of that order.

The CHAIRMAN: Now, Mr. Deachman.

Mr. DEACHMAN: I have only one more question which flows out of the supplementary questions asked by Mr. Horner. Do you anticipate that many more Canadians would be investing in your company after the stock splitting than now invest in it?

Mr. JOHNSTON: We think that is true, and I think it has been shown by the history of companies which have split their stock.

Mr. KINDT: Can you give us a figure of Canadian participation in the present company?

Mr. JOHNSTON: Yes. We did mention it.

Mr. BLIGHT: Do you want the figures?

Mr. KINDT: Yes, if you have them, or the percentages.

Mr. BLIGHT: Again I refer to the 4,465,000 shares which are held by Canadians.

Mr. KINDT: What percentage is that?

Mr. BLIGHT: That is 88 per cent. If you take the shareholders, out of the 14,127 shareholders, 12,617 are Canadian.

Mr. KINDT: How do you classify the 33 per cent owned by Imperial, and the eight per cent owned by British American, with the 100,000 owned by other shareholders?

Mr. BLIGHT: That is in the figures that I have of Canadian shareholders. If you wish to extract the shares held by these three companies, you would have 2,140,000 shares held by three shareholders.

The CHAIRMAN: Now, Mr. Prittie.

Mr. PRITTIE: There was a question asked earlier about rate making and the right of the shippers to appear before the board of transport commissioners.

Mr. JOHNSTON: You mean the energy board.

Mr. PRITTIE: I would like to know who actually are the shippers? Are they the connecting pipe line companies?

Mr. JOHNSTON: No. The shippers are the people who own the refineries, who buy or own in one form or another the crude oil delivered to us, when we in turn deliver that oil to the refineries; and these refineries are located all the way along the line, as you can see from the little sketch map. They own the oil.

Mr. PRITTIE: How many shippers do you have?

Mr. JOHNSTON: I think there are about 22 or 23.

Mr. PRITTIE: How many of them own a substantial or any interest in your company?

Mr. JOHNSTON: Only three companies.

Mr. PRITTIE: Are you the owner or part owner of any of the connecting lines? The shippers would be obviously the owners of some of the connecting lines.

Mr. JOHNSTON: I believe that is true in some cases.

Mr. PRITTIE: What would British American own?

Mr. JOHNSTON: British American owns the little line down from Moose Jaw.

Mr. PRITTIE: But they are listed as having two.

Mr. JOHNSTON: Yes; that is the delivery point as far as we are concerned. We deliver the oil at Stony Beach, and we deliver down to that British American refinery at Moose Jaw with a line which is about 20 miles long.

Mr. SOUTHAM: According to the legend on the map you list 27. Does that make any difference in your evidence?

Mr. JOHNSTON: I said it was about that. I did not have the exact number in my mind.

Mr. PRITTIE: These are connecting pipe lines which are listed as 27. They are not the shippers?

Mr. JOHNSTON: There is one pipe line at Buckeye, and a pipe line in Michigan at Fort Huron. We deliver to Buckeye and they carry the oil down to the Toledo area to supply the Gulf refinery, Mobile, and Standard Oil. So I think there are three more shippers in that one area, when I say we have 25 shippers.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): The question I wanted to ask came up earlier.

The CHAIRMAN: There are a number of people who indicated their desire to ask questions. I have Mr. Watson, Mr. Pascoe, and Mr. Fisher.

Mr. WATSON (*Assiniboia*): Is this the only pipe line which carries oil from western Canada? I know that the Trans-Mountain pipe line is a gas pipe line.

Mr. JOHNSTON: Completely, and this is a crude oil line.

Mr. WATSON (*Assiniboia*): This is only a crude oil line.

Mr. JOHNSTON: From west to east.

Mr. WATSON (*Assiniboia*): Going back to one of the original questions asked by Mr. Cameron in connection with the price of shares on June 10, 1964 at $83 to $85 and up to $93, can you give us any indication of what it was in the year previous to that? What was it in June 1963 and in June 1964?

Mr. JOHNSTON: June, 1963, you mean?

Mr. WATSON (*Assiniboia*): Yes; the year previous to June 10, 1964.

Mr. JOHNSTON: I can tell you that in January, 1964, the stock had a high of 85 and a low of 80. I do not have the ranges for 1963. For 1963 I can give you the high which was 87 and the low which was 78.

Mr. WATSON (*Assiniboia*): That is in 1963?

Mr. JOHNSTON: Yes, sir; that is for the year.

Mr. WATSON (*Assiniboia*): Previously you told us how many shares each director held.

Mr. JOHNSTON: Yes, sir.

Mr. WATSON (*Assiniboia*): Which was not too many in amount. Can you explain the difference between common shares—I am not familiar with the share business—and other shares such as escrow shares; are there more shares held along this line?

Mr. JOHNSTON: No, sir. We have only one type of stock which has been issued, the five million share issue. That is the complete stock; there is no stock held in escrow. There are no more stock options; this is it.

Mr. WATSON (*Assiniboia*): You mentioned the previous stock option which was about 47,000 in the range of $25 to $53.

Mr. JOHNSTON: Yes, sir.

Mr. WATSON (*Assiniboia*): And this was up to 1964?

Mr. JOHNSTON: From 1954 to 1964.

Mr. WATSON (*Assiniboia*): Am I right in thinking that the people who bought these options in this range at that time had up to 1964 to exercise those options?

Mr. JOHNSTON: An option was granted to key employees; it was not widespread. This option was given to key employees and the entire option period was ten years. These options were granted each year in various volumes at the market price of the stock at the time the option was granted.

Mr. WATSON (*Assiniboia*): This was strictly to key employees.

Mr. JOHNSTON: Yes, sir.

Mr. WATSON (*Assiniboia*): Some of the 500 employees.

Mr. JOHNSTON: The younger engineers whom we wished to encourage and people who had contributed to the development of the company.

Mr. PASCOE: I believe it was brought out that the pipe line is 3,500 miles in length.

Mr. JOHNSTON: Two thousand miles, but there are about 3,500 miles of pipe in the line because it is looped in sections where we have double or triple lines.

Mr. PASCOE: What would you consider to be the service life of the pipe?

Mr. JOHNSTON: The figure is not determined. Several studies have been made on the life of pipe line in the ground. Varying studies have been made by the testing laboratories. It all depends on the type of pipe, the protection given to the pipe in the way of wrapping, and the type of soil in which the pipe is laid. Pipe lines have been laid in the ground for 40 years which were raised, cleaned up, and found to be in fine shape; other pipe lines have deteriorated in a matter of two or three years.

Mr. PASCOE: Which pipe do you use?

Mr. JOHNSTON: Thirty year life.

Mr. PASCOE: Is it of Canadian manufacture?

Mr. JOHNSTON: Yes, sir. We are using Canadian pipe today. In the very early stages we had to buy some pipe in the United States.

Mr. PASCOE: Where in Canada is the pipe manufactured?

Mr. JOHNSTON: At Welland Tubes. This year our pipe will come from Welland Tubes in Welland, or from Camrose.

Mr. PASCOE: If you had to replace some of the pipe or if you were to build more line, would you have to pay the 11 per cent tax on building materials and production machinery?

Mr. JOHNSTON: I do not think we are in this category.

Mr. PASCOE: It would not apply?

Mr. JOHNSTON: I do not think so.

Mr. FISHER: For the years 1963 and 1964, would you tell us what the dividends of the company represented as a percentage of the average share value?

Mr. JOHNSTON: You mean what the return would be?

Mr. FISHER: Yes.

Mr. JOHNSTON: It was 3.20 last year. In 1963 the stock was selling in the 80's, so it would be something in the order of about 3.7 or 3.4.

Mr. FISHER: About 4 per cent. As you can imagine, like a number of my colleagues, I do not know much about stocks and shares. However, as I understand it, persons investing in shares run to things in which they are interested; one is the dividend.

Mr. JOHNSTON: Primarily.

Mr. FISHER: And the other is the increment, which comes in the increase in the stock value. I would feel much better if your explanatory notes were more clear. You might say that the propaganda line is a little like what people's capitalists say. One of the most likely consequences out of the share split is that there will be a surge of interest in purchasing so the value of the shares will go up and in effect the people who at present own the shares are likely to get an advantage out of the increment.

Mr. JOHNSTON: Of course, this return depends on the price you pay for the stock, whether you buy it today or ten years from now, I suppose. I would think that this stock in a reputable company is no different from an investment which you might make in General Motors, Massey-Harris, or anything else; naturally, it is hoped that there would be some appreciation in the stock, and if you bought it now at $10 and ten years from now it is selling at $20, your return would be considerably different.

Mr. FISHER: Let me give you an example. I am larger, say, than the ordinary person, and quite often I have noticed I am in a competitive situation with the smaller person. There tends to be a feeling of the big bully and the good little fellow.

Mr. MACDONALD: That is not true.

Mr. FISHER: In this explanatory note there seems to be a suggestion that there is some great virtue in the small investor and something wrong in the big investor. I would like to have things flat and on the line. I do not think it matters a darn whether it is a big investor or a small investor; it seems to me one of the reasons for a share split is the advantage to the company and the people who presently have the shares. I would like to see this put on the line instead of it coming in with the people's capitalists propaganda. I am sure you are aware that some persons in our party would like to change some of the rules of the game, but because we are not in power I am content to let it go along as it is for now. I appreciate frankness and I feel, although you may have been frank in the introduction, that the explanatory note is too glorious.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How many of the 5,047,000 shares of your company still are in the hands of the original subscribers?

Mr. JOHNSTON: We could not possibly trace the turnover in stock by individuals unless we had a stock list for every year.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I imagine you have a record and I would think you would have it fairly clear in your mind, at least in respect of the big blocks of stock.

Mr. JOHNSTON: Oh, yes. I did not understand your question.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It is the whole picture I would like to have, but I suspect this would cover a lot of it.

Mr. JOHNSTON: In the three big major shareholders there has been no change.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): How many shares do they account for?

Mr. JOHNSTON: Two million and one.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): What about the others?

Mr. JOHNSTON: There has been some fluctuation in the 37 shareholders who own more than 10,000 shares.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): There have been fluctuations?

Mr. JOHNSTON: There have been increases and decreases. In that 37 the sizeable ones are investment trusts and pension plans. As an example, the C.P.R. pension fund recently apparently has taken an interest in the Interprovincial stock and has purchased a rather sizeable amount of shares. I would say that two years ago they were not even in the picture.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would it be safe to say that the majority of the five million shares have not changed hands since your company was organized?

Mr. JOHNSTON: Yes.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Therefore the trading on the stock market is a peripheral operation and leads one to suggest it may be stimulated.

Mr. KORCHINSKI: I have a question very similar to the one asked by Mr. Fisher. At the present time the stocks are valued at $93. Am I right in assuming, if your split came about, that the stocks would sell at $18.60?

Mr. JOHNSTON: In that range—$18.90.

Mr. KORCHINSKI: You also show concern over the fact that there was not enough trading in the stock. So, if there were greater participation it would be natural to assume that the stock value would go up quite rapidly, for a while anyway.

Mr. JOHNSTON: I would not say that.

Mr. KORCHINSKI: If there is a greater participation there must be a greater interest. There may be people like myself who do not follow the stock market too closely. However, I would wonder what is going on. I do not know the president, but I want to see if this is a place where I might make some money. Therefore if the stock value went up by $2—this is not too much to expect, is it—as a result of the active participation, then it could be assumed, if it went up $2, that anybody holding stock now, because it is not trading very actively, could make $10 for every share.

Mr. JOHNSTON: If he sold it.

Mr. KORCHINSKI: This is true if he wanted to sell it. If the stock was at a market price, there would be greater participation and perhaps more speculation.

Mr. JOHNSTON: I do not like the word "speculation" particularly.

Mr. FISHER: Investment is a nicer word.

Mr. KORCHINSKI: Somebody might be speculating and on the other hand somebody might be investing.

Mr. JOHNSTON: Personally, I would say that the answer to your question is supply and demand. If your general price indices, or whatever you want to take, go up—and so far as we know that has been the case in the last few years—the stock has gone along with the trend.

Mr. KORCHINSKI: If there was a growth in the stock, anybody who presently owned stock would stand to make a profit.

Mr. JOHNSTON: It certainly is not my position to forecast the movement in the stock market. I never have been very successful in it.

Mr. KORCHINSKI: I think it is a fair assumption to say that if there is more active trading it would go up.

Mr. KINDT: A split in the shares would facilitate the work of the manipulators in sucking the public in and unloading on them; there is no question about that. The exchange has someone sponsor that stock, if it is active; you know that. If you do not, you do not know much about the stock market.

The CHAIRMAN: Are there any further questions?

Mr. COWAN: In answer to Mr. Pascoe earlier I think you said the employees held the magnificent total of 11,000 shares now.

Mr. JOHNSTON: That is approximately correct. I have the exact figures, if you wish it.

Mr. COWAN: That is all right. I liked Mr. Fisher's statement when he used the word "glorious". You told us the employees owned 11,000 shares and later you said that the Shell Oil Company holds 100,000 shares, and that that was not extravagant for a major shareholder.

Mr. JOHNSTON: I think the point was made that Shell has a big participation in this company. I would not say that is a very great share.

Mr. COWAN: In view of the fact that 100,000 shares are not extravagant and the employees have this magnificent total of 11,000 shares, it would seem that the employees do not have a very big whip in this $5 million share company. That is all I wished to say.

Mr. FISHER: Is there any other company, for example Imperial Oil, which effectively controls, say, the appointments to the board of directors, or the managerial appointments of Interprovincial?

Mr. JOHNSTON: No. As I stated earlier, 57 per cent of the stock is owned by the public. Imperial has three directors, which is equivalent to one third of the total board.

Mr. FISHER: You mentioned the C.P.R. Has there been any movement on the part of any of the investment organizations, such as Mutual or Investors Syndicate, to invest in your stock on a fairly large scale?

Mr. JOHNSTON: Yes, sir.

Mr. FISHER: I have always wanted to find out what role those fund groups play.

Mr. JOHNSTON: Absolutely none, sir. We would not even know they were shareholders unless we examined their satements.

Mr. FISHER: They would have no influence at all on appointments to the board of directors or anything like that?

Mr. JOHNSTON: Absolutely not. At least I can say they never have asked for a position on the board.

Mr. FISHER: And they would not forward proxies to any particular director if there should be a vote.

Mr. JOHNSTON: We certainly never have had that occasion arise.

Mr. FISHER: Could you indicate whether or not there has been any trend; you mentioned investment by the C.P.R. coming into the picture. Has there been any trend for these large holding companies or agencies representing mutual funds to move into your stock?

Mr. JOHNSTON: Yes, that has happened. As you know, in recent years these funds have had a very considerable amount of money. They have invested in this stock undoubtedly as a judgment on their part that it is a sound investment for providing them with a reasonable return. In some cases they have disposed of a certain percentage of their holding when their portfolio came out of balance. I believe that is perfectly normal in any investment trust. I think it has been an attractive issue for that type of investor, with the money they have had to invest in the Interprovincial stock.

Mr. FISHER: I ask this question sort of in anticipation of a share split. When the share split comes, it would seem to me that the major purchasing on the stock market is done by organizations and groups like this—I take it this is the case—rather than the small investor.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): They will not have very much to pick up.

Mr. KINDT: They will mark the shares up and unload them on the public, and they have to have the public in there to do that.

Mr. FISHER: Well, Mr. Chairman, I do not want to cast an invidious shadow over this.

The CHAIRMAN: Have you a question, Mr. Pascoe?

Mr. PASCOE: Yes. Mr. Fisher mentioned the C.P.R. My question is probably a hypothetical one. There have been reports of shipping commodities by capsules through pipe lines. Could your pipe line accommodate such a delivery?

Mr. JOHNSTON: Are you referring to this one?

Mr. PASCOE: Yes.

Mr. JOHNSTON: No, not at the present stage of development.

Mr. PASCOE: I realize my question was hypothetical.

Mr. JOHNSTON: There is a very interesting and fascinating study going on now in respect of shipments by capsule through pipe lines. It has not been perfected to date but I do imagine that within the next few years progress will be made in that field.

Mr. PASCOE: Could the same pipe line be used in that connection?

Mr. JOHNSTON: No, sir.

The CHAIRMAN: Have you a question, Mr. Horner?

Mr. HORNER (*Acadia*): Perhaps this information already has been given to the committee but, bearing in mind the whole purpose of this bill is to encourage more small Canadians into this business I would like to know the growth of the number of shareholders of this company over the past five or six years. The shares are selling at $93 now, but they have been at $85, and were for some time.

Mr. BLIGHT: I am reading backward from 1963. In 1963 there were 12,700; 1962, 12,600; 1961, 12,300; 1960, 11,800; 1959, 11,900; 1958, 12,100.

Mr. HORNER (*Acadia*): Well, this shows no growth whatsoever in the number of shareholders and, practically speaking, this does not at all substantiate your case.

Mr. BLIGHT: The price has been rather high, sir.

Mr. HORNER (*Acadia*): Well, let us go back to the year when prices were low, without going back into the founding years of the company.

Mr. BLIGHT: Well, I think you would have to go back to the founding years.

Mr. HORNER (*Acadia*): Why not go back to 1954 or 1955.

Mr. BLIGHT: In 1954 there were 8,000 and in 1955, 8,700.

Mr. HORNER (*Acadia*): What would the average price of the share be in 1954?

Mr. BLIGHT: In 1954, a high of 31⅜ and a low of 20; 1955: 30 and 25.

Mr. HORNER (*Acadia*): And there was a release of more shares after 1954?

Mr. BLIGHT: No, in 1963.

Mr. HORNER (*Acadia*): I am substantiating my argument rather than yours; the number of 8,000 shareholders in 1954 does not indicate to me there has been a tremendous growth of shareholders in the last ten years.

To my way of thinking I am hesitant in believing that this share splitting will have a tendency to increase the number of shareholders. I think all that

will happen is that the present shareholders will be the ones to reap the benefits of share splitting.

Mr. KINDT: Obviously.

Mr. JOHNSTON: May I mention the history of Abitibi, as an example?

Mr. HORNER (*Acadia*): Yes.

Mr. JOHNSTON: At the end of 1963, before the subdivision had had time to become effective, Abitibi had 19,488 shareholders; after the subdivision this was increased in 1964 to 25,476, an increase of 6,000 shareholders.

Mr. HORNER (*Acadia*): But, if I understand it, Abitibi is not a good comparison because it is in a more or less different line of activity altogether.

Mr. JOHNSTON: That is true, but it does give an indication.

Mr. HORNER (*Acadia*): It is not in the transportation field.

Mr. JOHNSTON: Trans-Mountain is another example, which I noted earlier.

Mr. HORNER (*Acadia*): Well, in my mind that would be a better comparison than Abitibi.

The CHAIRMAN: Have you a question, Mr. Cowan?

Mr. COWAN: Reference has been made to Trans-Mountain and there are very interesting figures in respect of the change in the number of shareholders. Did the control of the company change during the same time?

Mr. JOHNSTON: Not as far as I know.

Mr. COWAN: Nor as far as I know.

The CHAIRMAN: Would you like to put your figures on the record in respect of Trans-Mountain?

Mr. JOHNSTON: Mr. Chairman, that split was in 1957 and in 1956, before the split, there were 5,521 shareholders; in 1957 it went up to 7,027.

Mr. FISHER: What about the price of the stock?

Mr. JOHNSTON: I have that as well. The stock was selling at a high of $97 and a low of $75 in November, 1956; one year later it went down to $70 and $57.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): This was after the split?

Mr. JOHNSTON: No, this was the interim period between the application and the time the actual split was made. The split was made in September, 1958.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): That is what I thought.

Mr. JOHNSTON: At that time the price was $64 high and $59 low.

Mr. FISHER: That was a five for one split?

Mr. JOHNSTON: Yes. It came out at about $13, I believe, and then in November it was down to $9.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Have you anything subsequent to that?

Mr. JOHNSTON: I do not have anything here.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): I understand it is $21 now.

Mr. JOHNSTON: I think it is $21 or $22.

Mr. WAHN: It is $21 now; it was $14.

Mr. FISHER: There is a gain but it is nothing fantastic.

The CHAIRMAN: Are there any other questions?

Mr. FISHER: Mr. Johnston, I would like to ask whether or not you would be agreeable to filing for our records the list of the thirty-seven major shareholders.

Mr. JOHNSTON: Yes.

Mr. FISHER: In this way it would form part of our record.

The CHAIRMAN: If there are no further questions, does the preamble carry?

Preamble agreed to.

The CHAIRMAN: Shall clause 1 carry?

On clause 1—*Subdivision of capital stock.*

Mr. HORNER (*Acadia*): No, I do not think it will carry.

Mr. FISHER: The chairman is just putting the question.

Mr. HORNER (*Acadia*): I am opposed to it.

Mr. FISHER: Mr. Chairman, may I put one more question before you proceed? Is my understanding correct that this will not come back in for a third reading until the evidence has been printed?

Mr. BURGESS: Mr. Chairman, due to the situation in parliament at the moment we propose to have the sponsor of the bill ask for a third reading this afternoon.

Mr. FISHER: You will be stacked up behind the Bank of Western Canada, Laurentide and so on.

Mr. JOHNSTON: There is nothing very new about that, sir.

Mr. WAHN: Mr. Chairman, may I say that if this bill were passed by the committee I, as sponsor of the bill, propose to ask for unanimous consent of the house to consider it in committee of the whole this afternoon. I believe if that unanimous consent were given that it would go ahead of the other bills now on the order paper. But, of course, it would depend upon unanimous consent of the house. Because of the shortage of private members hours I hope that unanimous consent would be given, if this bill is approved in committee.

Mr. FISHER: I am glad to have that knowledge.

The CHAIRMAN: Shall clause 1 carry?

Mr. HORNER (*Acadia*): No.

Mr. KINDT: No. I think this should be hoisted until we have more information.

The CHAIRMAN: Has anyone a motion to put?

Mr. STEWART: Presumably this is an assumed motion?

Mr. Chairman, before we proceed with the actual vote on this it would appear to me that a lot of criticisms directed toward this company are really criticisms directed against stock marketing in general and against private enterprise.

Mr. HORNER (*Acadia*): Go on.

The CHAIRMAN: Order.

Mr. HORNER (*Acadia*): Well, if you are going to allow him to make a speech I am going to make one too.

Mr. FISHER: Give Mr. Stewart an opportunity to speak; he does not have many such opportunities.

Mr. STEWART: It may well be that these general criticisms are valid but it seems to me rather unreasonable to take it out on this particular company which, because of its legal position, has to come before parliament for specific action in this connection. Now, it has been pointed out if it were not for the particular legal position it could have proceeded in a formal way. I do not think anyone should vote against this unless they are prepared to follow through, as I think Mr. Cameron is, to the logical conclusions implied by voting against this bill.

The CHAIRMAN: Shall clause 1 carry?

Mr. HORNER (*Acadia*): Mr. Chairman, just before you put the question I would like to say one or two things. I am opposed to this proposed bill but not on the grounds that I am a socialist or that I have socialistic leanings, as implied by the previous speaker. I am a free enterpriser and I firmly believe in such. But, no one here has convinced me that share splitting is a necessity. No one here has convinced me that the small Canadian in the peoples' republic, as Mr. Fisher mentioned—

Mr. FISHER: I did not use that expression; I said peoples' capitalists.

Mr. HORNER (*Acadia*): I know the phrase you used but I applied it the other way. No one has convinced me it is a direct aim of the company to try and help the small Canadian; I think they are trying to help themselves. This is a monopoly. With great deference to the previous speaker it is my duty to make my thoughts known. Monopolies are fine but in a private enterprise system we who believe in freedom of enterprise must guard against monopolies and scrutinize them very carefully. This is what I am doing by voting against it.

Mr. FORBES: Is the principle behind this request to encourage more Canadian participation in this company?

Mr. HORNER (*Acadia*): No, not necessarily at all.

The CHAIRMAN: I am going to put the question. All those in favour of clause 1? All those against?

I declare the clause carried.

Clause 2 agreed to.

Title agreed to.

The CHAIRMAN: Shall the bill carry?

Mr. HORNER (*Acadia*): No.

The CHAIRMAN: On division?

Mr. HORNER (*Acadia*): On division.

The CHAIRMAN: Shall I report the bill?

Some hon. MEMBERS: Agreed.

APPENDIX "C"

INTERPROVINCIAL PIPE LINE COMPANY

SHAREHOLDERS AND SHARES HELD AS AT DECEMBER 31, 1964

Country	Shareholders		Shares	
Canada	12,617	89%	4,464,917	88%
United States	1,343	10	563,647	11
Others	167	1	58,718	1
	14,127	100%	5,087,282	100%

PRINCIPAL SHAREHOLDERS
(Those holding 10,000 shares or more)

Imperial Oil Limited	Toronto	Ont.	1,680,000
British American Oil Company Limited	Toronto	Ont.	360,000
Gilbert Securities Limited	Montreal	Que.	183,218
Investors Mutual of Canada Limited	Winnipeg	Man.	126,500
Shell Canada Limited	Toronto	Ont.	100,000
Roycan & Co. No. 1 A/C	Montreal	Que.	65,968
Bankmont & Co.	Montreal	Que.	57,389
Monray & Co.	Montreal	Que.	50,496
Dif & Co.	Boston	Mass.	38,000
Brant Investments Limited	Toronto	Ont.	36,470
Canadian Pacific Railway Company (Pension Fund)	Montreal	Que.	32,720
Commonwealth International Corp. Ltd.	Montreal	Que.	30,000
Moncus & Co.	Montreal	Que.	28,398
Adams & Peck	New York	N.Y.	28,106
Lake & Co.	Toronto	Ont.	28,000
Bessemer Securities Corpn.	New York	N.Y.	25,788
Bear Stearns & Co.	New York	N.Y.	23,420
Royjames & Co.	Montreal	Que.	20,937
Max Tanenbaum	Toronto	Ont.	20,720
Investors Growth Fund of Canada Limited	Winnipeg	Man.	18,715
Harvard & Co.	Boston	Mass.	16,825
Hill & Company	Boston	Mass.	15,180
Calgary & Edmonton Corporation Limited	Calgary	Alta.	15,000
Jenkins & Co.	New York	N.Y.	13,971
Haldor & Co.	Boston	Mass.	13,285
Roytor & Co. No. 1 A/C	Toronto	Ont.	13,128
The Canada Life Assurance Co.	Toronto	Ont.	13,000
Montreal Trust Company A/C T59	Toronto	Ont.	13,000
Prescott & Co.	Boston	Mass.	12,000
Employees Savings Plan—Interprovincial	Edmonton	Alta.	11,820
Gee & Co.	Toronto	Ont.	11,740
Dominick Corporation of Canada	Montreal	Que.	11,734
McMullen & Hard	New York	N.Y.	10,773
W. J. J. Butler	Toronto	Ont.	10,200
Canada Permanent Trust Company	Montreal	Que.	10,000
Canadian General Investments Limited	Toronto	Ont.	10,000
Lynn & Co.	New York	N.Y.	10,000
37			3,166,501

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-1965

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 17

Tuesday, March 23, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

From the *Port of Halifax Commission:* Mr. J. W. E. Mingo, Chairman, and Mr. Ray March, Executive Secretary; From the *National Farmers Union of Canada:* Mr. Roy Atkinson, President, and Mr. James N. McCrorie, Research Director.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21827—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard,

Vice-Chairman: Joseph Macaluso,

and Messrs.

Addison	Guay	McBain
Armstrong	Gundlock	McNulty
Balcer	Hahn	Millar
Basford	Hamilton[1]	Mitchell
Beaulé	Horner (*Acadia*)	Muir (*Lisgar*)
Berger	Howe (*Wellington-*	Nugent
Boulanger	*Huron*)	Olson
Cadieu	Kindt	Orlikow[2]
Cameron (*Nanaimo-*	Korchinski	Pascoe
Cowichan-The Islands)	Lachance	Prittie
Cantelon	Laniel	Rapp
Cantin	Latulippe	Regan
Cowan	Leblanc	Rhéaume
Crossman	Legault	Rideout (*Mrs.*)
Crouse	Lessard (*Saint-Henri*)	Rock
Deachman	Lloyd	Southam
Fisher	MacEwan	Stenson
Forbes	Macdonald	Stewart
Granger	Marcoux	Tucker
Grégoire	Matte	Watson (*Assiniboia*)—60.

(Quorum 12)

Marcel Roussin,
Clerk of the Committee.

[1] On March 19, 1965, Mr. Hamilton replaced Mr. Pugh.

[2] On March 11, 1965, Mr. Orlikow replaced Mr. Winch.

ORDERS OF REFERENCE

THURSDAY, March 11, 1965.

Ordered,—That the name of Mr. Orlikow be substituted for that of Mr. Winch on the Standing Committee on Railways, Canals and Telegraph Lines.

MONDAY, March 15, 1965.

Ordered,—That the name of Mr. Hamilton be substituted for that of Mr. Pugh on the Standing Committee on Railways, Canals and Telegraph Lines.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

21827—1½

MINUTES OF PROCEEDINGS

TUESDAY, March 23, 1965.
(32)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:40 a.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Crouse, Forbes, Howe (*Wellington-Huron*), Legault, Lloyd, Lessard (*Saint-Henri*), Macaluso, MacEwan, Millar, Mitchell, Pascoe, Prittie, Regan, Rock, Southam, Stenson, Stewart, Tucker, Watson (*Assiniboia*)—(24).

In attendance: From *Port of Halifax Commission;* Messrs. J. W. E. Mingo, Chairman; Ray March, Executive Secretary; From the *National Farmers Union;* Messrs. Roy Atkinson, President; James N. McCrorie, Research Director; From *Canadian Pacific Railways Company;* Mr. K. D. M. Spence, Q.C., Commission Counsel; From the *Department of Transport;* Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch; From *Maritimes Transportation Commission;* Mr. Craig S. Dickson; From the *Department of Agriculture;* Mr. J. W. Channon.

The Committee resumed its consideration of Bill C-120.

The Chairman suggested that a motion should be made in order to have all the briefs sent to the Committee printed as appendices to the evidence whether or not the witnesses are heard.

Thereupon, on motion of Mr. Prittie, seconded by Mr. Forbes,

Resolved,—That the texts of the briefs submitted by individuals or associations invited to appear before this Committee, and who did not have an opportunity to appear, be printed as appendices to the Minutes of Proceedings and Evidence of the last regular meeting of this Committee.

The Chairman introduced Mr. Mingo, Chairman of the Port of Halifax Commision and Mr. Ray March, Executive Secretary.

Mr. Mingo read extracts from a prepared statement which had been distributed in English to the members of the Committee. He apologized for the delay incurred in releasing the French version. (The said version was available at the end of the meeting).

The witnesses were examined.

On motion of Mr. Tucker, seconded by Mrs. Rideout,

Resolved,—That the brief from the Port of Halifax Commission be printed as an appendix to today's proceedings (*See Appendix "D"*).

On motion of Mr. Stewart, seconded by Mr. MacEwan,

Resolved,—That Exhibits I, II, III, IV and V, submitted by the Department of Transport be printed as appendices to this day's proceedings (*See Appendix "E"*).

The witnesses were retired and the Chairman thanked them for their appearance.

The Chairman introduced Mr. Atkinson, President, National Farmers Union and Mr. James N. McCrorie, Research Director.

Since the brief from the National Farmers Union had just been made available to the Committee, some Members suggested that the hearing and examination of the witnesses be postponed until later this day.

Mr. Howe (*Wellington-Huron*), seconded by Mr. Forbes, moved: That the Committee adjourn until the afternoon to consider the brief of the National Farmers Union.

After discussion, the question was put on the said motion and it was resolved in the negative, YEAS: 6; NAYS: 7.

Mr. McCrorie read a prepared statement which had been distributed in English to the members of the Committee. He apologized for not having a French version available.

On motion of Mr. Tucker, seconded by Mr. Southam,

Resolved,—That the brief of the National Farmers Union of Canada be reproduced as an annex to today's proceedings. (*See Appendix "F"*).

At 12:00 noon, the Chairman announced that on Thursday, March 25th the witnesses would be Canadian Manufacturers Association and Branch Line Association of Manitoba, and on March 30 Canadian Industrial Traffic League and Maritime Transportation Commission, the National Legislative Committee, International Railway Brotherhoods.

It being 12:00 o'clock noon, the Committee adjourned until 3:30 p.m. this day.

AFTERNOON SITTING

(33)

The Standing Committee on Railways, Canals and Telegraph Lines reconvened at 3:55 p.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Basford, Berger, Cadieu, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Cowan, Crossman, Crouse, Deachman, Forbes, Hahn, Hamilton, Kindt, Korchinski, Legault, Lessard (*Saint-Henri*), Lloyd, Macaluso, Macdonald, MacEwan, Matte, McNulty, Millar, Mitchell, Muir (*Lisgar*), Pascoe, Prittie, Rapp, Regan, Southam, Stewart, Tucker, Watson (*Assiniboia*) (35).

In attendance: From *National Farmers Union:* Messrs. Roy Atkinson, President, James N. McCrorie, Research Director; From *Canadian Pacific Railways Company;* Mr. K D. M. Spence, Q.C., Commission Counsel. From the *Department of Transport;* Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch; Mr D. C. Blair, *Province of Saskatchewan* and Mr. Alastair MacDonald, Q.C.

The Committee resumed its consideration of Bill C-120.

Mr. Atkinson and Mr. McCrorie were further examined.

The witnesses were retired and the Chairman announced the order of business of the next meetings.

Thursday, March 25, Canadian Manufacturers Association, Toronto, Ontario (Mr. A. R. Treloar, Man., Director Transportation Department). Branch Line Association of Manitoba, Winnipeg, Manitoba, (Mr. Remi Depape, President).

Tuesday, March 30, Canadian Industrial Traffic League, Toronto, Ontario. (Mr. R. Eric Gracey, General Manager). Maritime Transportation Commission, 35 Bedford Row, Halifax, N.S. (Mr. A. G. Cooper, Q.C.). The National Legislative Committee, International Railway Brotherhoods, Room 39, CLC Building, 100 Argyle Avenue, Ottawa 4, Ontario. (Mr. A. R. Gibbons, Secretary).

At 5:30 p.m., the Committee adjourned until Thursday, March 25, 1965, at 9:30 a.m.

Marcel Roussin,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 23, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum. I think perhaps we should start because we have two delegations with us this morning, one from the Port of Halifax Commission and the other from the National Farmers Union of Saskatchewan. However, before commencing I would like to place before you a motion that will be required and I shall read it:

> Resolved—That the texts of the briefs submitted by individuals or associations invited to appear before this committee, and who did not have an opportunity to appear, be printed as appendices to the minutes of proceedings and evidence of the last regular meeting of this committee.

The motion should be included in the minutes of the committee. Could I have a motion?

Mr. PRITTIE: I so move.

Mr. FORBES: I will second the motion.

Motion agreed to.

The VICE CHAIRMAN: Now, gentlemen, we have with us first of all the chairman and executive secretary of the Port of Halifax Commission; Mr. J. W. E. Mingo, the chairman, and Mr. Ray March, the executive secretary. We have a brief submitted by the Port of Halifax Commission both in English and in French. The French edition will not be here until later this afternoon as it is being printed.

Mrs. RIDEOUT: Go on then.

The VICE CHAIRMAN: We will commence then, gentlemen. Mr. Mingo is on my right and Mr. March is on his right. You can commence, Mr. Mingo, with your brief.

Mr. J. W. E. MINGO (*Chairman, Port of Halifax Commission*): Thank you very much, Mr. Chairman. Mrs. Rideout and gentlemen, the Port of Halifax Commission, I might explain, is a body corporate financed by the city of Halifax to promote the interests of the port. It is a small commission. Mr. March is our only full-time employee. All the other members of the commission are amateurs and as such we make no claims to expertise on the question of railway freight rates. I would like you to bear that in mind during the course of the presentation. We have very strong views on the subject, as will be evident from what we have to say. We will do our best to handle any questions that may be directed to us and indeed if we are unable to answer the questions now we will undertake to answer them later.

I wish to make it particularly clear at the outset that we do not claim to be experts or even students of the subject of freight rates. However, as citizens of the maritimes, we are affected very much by freight rates and we have a deep concern about them.

Now on behalf of the Port of Halifax Commission, I would like first of all to thank you for this opportunity to make this presentation. We were very impressed by the rapidity with which our application was accepted and, as a matter of fact, our brief was completed on Friday in English and completed yesterday in French. Unfortunately, owing to stencil difficulties, it was not

available to take with us when we left. They worked all night on it and we received instructions this morning that the requisite number of copies in French had been placed on the aircraft at 8 o'clock this morning and will be arriving here in Ottawa at 11 a.m. We have made arrangements for a taxi to meet it at the airport and we are hopeful that it will be here before noon and perhaps before the adjournment.

Now with your permission, Mr. Chairman, I would like to proceed by reading a summary of the submission that we wish to make, interspersing the summary with some comments from time to time and then reading selected passages from the brief. I do not propose to read the whole brief as it is available to you. However, I would like to have the opportunity, if I may, to proceed in this fashion so that the record will contain the full submission that we wish to make.

Now our first point and really a summary of our submission is that while Bill No. C-120 also deals with branch line abandonments, passenger deficits and grain rates, this submission is concerned solely with freight rates and rate making. We will not undertake to discuss any other subject.

Both the MacPherson royal commission in its report and the staff of the Department of Transport in its evidence before this committee—and I am quoting now from volume II of the MacPherson royal commission report on page 216:

> —drew a clear distinction between the objectives of the national transportation policy, which were deemed to be efficiency and economy in the transportation system, and the objectives of a national policy which uses transportation to achieve economic development, political unity, social welfare or any other purpose.

Both the commission and the Department of Transport staff went on to make it plain that the recommendation of the report and the provision of Bill No. C-120 were confined to the implementation of the national transportation policy and did not, at least with respect to the maritime provinces, purport to implement any so-called national policy. Many features of the bill, like the preservation of the Crowsnest pass rates, reflect no doubt the effort to reconcile the two policies with respect to other regions of the country. With respect to the maritimes, our understanding is that the bill does not purport to implement any so-called national policy. Such a national policy in the maritimes was implemented in 1927 by the passage of the Maritime Freight Rates Act following the report of the Duncan royal commission. To be more precise, the policy was originally conceived at the time of confederation and implemented upon the opening of the International Railway. Basically speaking, this policy is that the rail rates which should prevail within the maritime provinces and on hauls overland from the maritime provinces to central Canada should be lower than those prevailing in the central region of the country.

Now, the Port of Halifax Commission believes that insufficient evaluation has been made of:

(1) The extent to which this national policy is being implemented today by the Maritime Freight Rates Act, having regard to the change in the maritime economy and the transportation industry which have occurred since 1927.

(2) The extent to which, having regard to such changes, this national policy, as originally conceived, is adequate today.

(3) The extent to which the objectives of this national policy, either as conceived in 1926 or as it should be reformulated today, would be prejudiced by the enactment of Bill No. C-120 in its present form.

I should point out that the submission on this subject was made to both the Gordon royal commission and the MacPherson royal commission. The Gordon royal commission recommended that the subject should be pursued and further investigated. The MacPherson royal commission recognized the problem and considered the subject outside its terms of reference. The point to be noted is that the subject has not been pursued and further investigated by either of these commissions. The Port of Halifax Commission further believes that the development of secondary industries in the maritime provinces is the key to the solution of unemployment and standard living problems in this region. We think the cost of transportation to and from central Canada is probably the principal obstacle to the development of such industry. Hence, the port concludes that a royal commission should be appointed as soon as possible to perform the very task which the MacPherson Royal Commission held was outside its terms of reference; namely, the significance of transportation to the development of the maritime economy today, the national policy which the federal government should be pursuing in this area today, and the effect on this policy of the provisions of Bill No. C-120. Until the findings of this commission are available for study, the application of Bill No. C-120 to the maritime provinces should be suspended. In essence, this is what we are asking for.

Now, what is the significance of transportation in respect of the maritimes? Much has been heard, and much has been done lately, about what has been called the lack in the development of the Atlantic provinces in contrast with the rest of the country. The general consensus of thinking appears to hold that while our primary industries will become more efficient and more productive, they will not employ a significantly greater number of people and that consequently our main hope of employing and retaining the substantial majority of the people who are growing up and being educated in the maritimes today lies in the development of secondary manufacturing industries.

The cost of transportation to and from central Canada is one of the principal reasons secondary manufacturing industries in the maritimes have not developed at the same rate as elsewhere. So long as the trade and tariff policies in this country remain constituted as they are, the cost of transportation, in the opinion of the Port of Halifax Commission, will persist as a major economic problem of the region. It is, of course, the major problem of the port of Halifax. Winter navigation on the St. Lawrence, the St. Lawrence seaway, and every other transportation development which is taking place in other regions of the country would have no effect whatsoever on our export-import traffic if some reduction could be secured in the railway freight rates for the overland haul between Halifax and central Canada. In this regard I would like to point out that the Maritime Freight Rates Act has no application at all to this traffic.

What is the general situation? The maritimes are what the MacPherson Royal Commission called an area of significant monopoly for the railways, with the result that the several horizontal freight rate increases authorized during the 15 years immediately following the last war were implemented to a greater extent here than in other parts of Canada where transportation is more competitive.

Let me develop that point for a moment. During the period 1948-58, the class rates applicable in Nova Scotia were increased by more than 157 per cent. The Maritime Freight Rates Act, as enacted in 1927, provided for a reduction of 20 per cent; as amended in 1957, this reduction was increased to 30 per cent. As the reduction applies only to class rates, the philosophy of this act was to restore to the shippers in the maritimes the favourable advantage which they had enjoyed on the Intercolonial Railway up until ap-

proximately 1912. In short, it was intended that the rates be lower than those that prevail elsewhere in Canada.

However, as a result of these horizontal freight rate increases, as a result of the movement of traffic elsewhere in Canada, and as a result of the agreed charges or competitive rates which the railways were permitted to give, the differential was thrown out of line entirely with the result that instead of the rates in the maritimes being lower than elsewhere in Canada, they were lower than the class rates elsewhere in Canada, but were not lower than the rates on traffic moving to elsewhere in Canada; the differential disappeared.

Although no governmental study has been made of the matter, it is clear from the work done by the Maritime Transportation Commission that this development went a long way towards defeating, and in many instances defeating entirely, the objectives of the Maritime Freight Rates Act. Again, although no governmental study has been made of the matter, it is difficult to believe that the objectives of the Maritime Freight Rates Act and the national policy which it purports to implement do not require some investigation, having regard to all that has taken place since this was originally conceived in 1927.

For these reasons it is the opinion of the Port of Halifax Commission that both these matters should be the subject of an immediate inquiry by a federal royal commission and that in future such an inquiry should be repeated every ten years, as is done in the case of the Bank Act.

What is our apprehension over the general bill? In the context of what has been said about the significance to the maritime economy of the cost of overland transportation to and from central Canada, it should not be difficult to understand the apprehension with which citizens of this area face the proposed amendments to the Railway Act which repeal a variety of provisions empowering the board of transport commissioners to disallow rates which are deemed unfair or unreasonable, and which provide that henceforth all rates as a matter of law must be compensatory and subject to a very limited class of appeal to the board, leaving what we regard as the highly arbitrary and obscure decision of when a rate is compensatory to the cost analysts and computer operators in the employ of the railways.

As I understand the right of appeal, if a shipper is of the opinion that the railways are enjoying semimonopolistic conditions, he is entitled to apply to the board and if he is prepared to accept a one year agreement to ship over the railway, he is entitled to have the board fix a rate equal to variable costs, plus 150 per cent. As defined by the act, a compensatory rate is nothing less than variable costs. The difference in this range, it seems to me and to the Port of Halifax Commission, provides a very wide scope and in effect defeats the usefulness of the right of appeal to the board. In our opinion it is unlikely that many rates ever would exceed the range which is provided by the act for the board.

Now, it is true that assurances have been given that in general under the bill the present rail rates are compensatory; that no increases are contemplated, and that proposed amendments, if enacted, would leave the objective of the Maritime Freight Rates Act impaired. However, these thoughts occur to us: if the rates had been increased by 127 per cent between 1948 and 1958, it is hard to believe that they still are compensatory today. In any event, to our knowledge, there has been no authoritative pronouncement to this effect. Even if they are compensatory in a general way, this still leaves open the possibility that the rates to Halifax and North Sydney will be adjusted in favour of the shipper hauling to Halifax.

Or that the rates to St. John and Halifax will be adjusted in favour of shorter haul to Saint John, in each case with disastrous effects on the waterfront operations of the longer haul. It seems to us that this kind of departure

or operation ought not to be permitted without a great deal more study of its effect on the total economy than appears to have been made.

And again, and this is perhaps the main point, even if the rates are defensible today, there appears to be nothing in the bill to prevent the pattern of 1945 to 1958 being repeated; that is, the offsetting of rising labour and other operating costs by the introduction of rate increases which are applied to a greater extent in areas of significant monopoly, like the maritime provinces.

Finally, how can anyone know the effect of such changes in procedure on the making of railway freight rates and on the national policy through implementation of the Maritimes Freight Rates Act or—and it should be revised today—if no governmental committee has made a study of the question, or even of what this national policy should be today?

In summary, there does not appear to us to have been enough homework done at governmental level on the effects of Bill No. C-120 on the maritime economy for anyone to know what these effects will be, or to evaluate them, and the spectacle seems to us anything but reassuring.

Mr. Chairman, I would like to proceed now by reading selected passages from the brief which we have filed and I would like to begin by drawing your attention to the quotations at the beginning of the brief from the speeches made by Sir John A. Macdonald and Sir Georges Etienne Cartier at Halifax on September 12, 1864, 100 years ago. I think it is very interesting to view the developments of the Intercolonial Railway in historical context, and with your permission I would like to read one or two paragraphs from these excerpts, beginning with an excerpt from Mr. Macdonald's speech:

> It cannot be denied that the railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada.
>
> "Whilst we have the St. Lawrence in summer, and the American ports in the time of peace, we have all that is requisite for our purposes. We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months in the year. We wish to feel greater security—to know that we can have assistance readily in the hour of danger.
>
> "In the case of a union, this railway must be a national work, and Canada will cheerfully contribute to the utmost extent to make that important link without which no political connection can be complete.
>
> "What will be the consequence to this city, prosperous as it is, from that communication? Montreal is at this moment competing with New York for the trade of the great West. Build the road and Halifax will soon become one of the great emporiums of the world."
>
> .... John A. Macdonald

> "I have heard since I have been in Halifax, the objection thrown out that there is much danger that you would be absorbed. It will be very easy for me to dispel such fears.
>
> "I answer them by a question: Have you any objections to be absorbed by commerce? Halifax through the Intercolonial road will be the recipient of trade which now benefits Portland, Boston and New York. If you are unwilling to do all in your power to bring to a satisfactory consummation this great question, you will force us to send all this trade which you ought to have through American channels. Will the people of Nova Scotia or New Brunswick be better off because they are not absorbed by commerce or prosperity?

"It is as evident as the sun shines at noon that when the intercolonial railway is built—and it must necessarily be built if that confederation takes place—the consequence will be that between Halifax and Liverpool there will be steamers almost daily leaving and arriving at the former—in fact it will be a ferry between Halifax and Liverpool. (Cheers)."

....Georges Etienne Cartier

The reporter adds in parentheses "cheers". Anyone who has seen the Halifax waterfront in the summer time will appreciate this.

Mr. REGAN: The ferry is over due.

Mr. MINGO: How that sounds to Halifax ears today! At the bottom of page 2, I shall read as follows:

On the eve of confederation, our region, with a mature and prosperous economy, was beginning to feel the pressure of a revolution in transportation. Having debated whether the promise of an intercolonial railway was worth the risks and the obligations of political union with Canada, it was decided to enter the union.

Then on page 3 we have the following:

"The intercolonial railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the maritimes provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the intercolonial railways system prior to 1912 is, in our view, rightly to be interpreted as the fulfillment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration." (Royal Commission on Maritime Claims, 1926)

"While a detailed analysis of the early rate structure of the intercolonial railway might be desirable, it is doubtful whether this would serve to clarify significantly the main policy considerations in regard the rates on the line. It is sufficient to note that the actual rates on the intercolonial were based on the rates on other railways in Canada, but they were generally lower as a direct result of government policy in regard to the operation of the line". (Submission to the Royal Commission on Transportation by the Maritimes Transportation Commission, 1961, p. 7)

About 1912, the intercolonial began to inrcease its freight rates relative to other Canadian railways. The program is described in the submission by the Maritimes Transportation Commission to the Royal Commission on Transportation (1960):

"Numerous other instances could be cited to show how rates on the intercolonial were increased during this period (i.e. 1912 to 1923), some by over two hundred per cent, and where special rates were cancelled and higher rates substituted contrary to the rate policy of the line prior to 1912. This "levelling-up" process was completed in 1923 when the intercolonial became part of the Canadian National Railways system and thus subject to the jurisdication of the board of railway commissioners. At this time, rates on the intercolonial had reached the level of those in Ontario-Quebec and their intended lower basis had completely disappeared."

The Duncan royal commission on maritime claims, 1926, had this to say about the increased freight rates:

> We have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the maritime provinces, (*a*) a burden which, as we have read the pronouncements and obligations undertaken at confederation, it was never intended it should bear, and (*b*) a burden which is, in fact, responsible in very considerable measure for depressing abnormally in the maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

The findings and recommendations of the Duncan commission led to the Maritimes Freight Rates Act which conferred "certain statutory advantages" in rail rates on the maritimes. In practice, these statutory advantages provided for reduction of twenty per cent in all freight rates within "select territory" (approximately the maritime provinces) and twenty per cent reduction in the select territory portion of the haul from points within it to Canadian points west of it.

The basis of the twenty per cent reduction is significant:

> "For our present purpose, it is more material to notice that the president of Canadian National Railways admitted in evidence, that in administering the Atlantic division (the greater portion of which is the old intercolonial system) no account is being taken in the rate structure of today of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to.
>
> We feel that the increase arising from the changes that have taken place in the straight rates in 1912—over and above the general increase that has taken place in other parts of the national system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the maritimes to the dominion so that the original intention may be observed. We recommend, therefore, an immediate reduction of twenty per cent..."

I think the point to note here is that it was originally intended—and this intention was carried out until 1912, when it was departed from in the period following that year and was returned to in 1926—that the rail rates within the maritimes provinces, and on the whole from the maritime provinces to central Canada, should be lower than those that prevailed elsewhere in Canada. The point which we are making this morning is that this is no longer true and that Bill No. C-120, if applied in its present form to the maritime provinces, will aggravate an already intolerable situation.

Section 6 of the Maritimes Freight Rates Act provided that the rates so reduced were to be considered statutory rates and as such "not based on any principle of fair return to the railway for the service rendered in the carriage of the traffic". Section 8 of the act provided that the federal government should pay to the railway the difference between the normal and reduced rates.

Over the years, there was a fairly constant attrition, largely caused by various horizontal freight rates increases, of the benefits of the Maritimes Freight Rates Act. The preliminary report of the royal commission on Canada's economic prospects, 1956, acknowledged that "the transportation facilities of the Atlantic region are in need of improvements". In its final report, the commission went even further: it recommended "a re-examination of the present effects of the Maritimes Freight Rates Act".

The MacPherson royal commission in effect said that such an examination was outside its terms of reference, and it is really this examination that we are asking this committee to recommend today.

In the course of his budget speech of March 14, 1957, the then minister of finance responded to the royal commission's findings:

> There is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic provinces caused by the various horizontal increases in railway freight rates over the last decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of maritimes products in the Montreal area and points west has been adversely affected.
>
> A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the Maritimes Freight Rates Act is justified. That is, an increase in the subvention from its present 20 per cent level to a level of 30 per cent in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of world war II.

The point I would like to make at this stage is while that was the intention, that was not the result. It restored the differential between the class rates, but traffic elsewhere in Canada began moving more and more at rates lower than class rates fixed by agreed charges or competitive rates.

To recapitulate, the Maritimes Freight Rates Act was supposed to secure certain statutory advantages to maritimes shippers. These advantages are in substance the percentage difference in favour of maritime shippers that existed before 1912 between the general level of rates on the Intercolonial system and the general level of rates in other parts of the national system. This relationship was confirmed and re-established by the Maritimes Freight Rates Act of 1927, and was thought to have been re-established in 1957 when by implication the principle of a favourable differential in rail rates in select territory and from select territory to central Canada as compared with rates between central Canadian points, was reaffirmed.

But not only has this differential favouring maritimes shippers disappeared; in many cases the differential now substantially favours central Canadian shippers. Not only have maritimes shippers lost those "certain statutory advantages" that were to have given them access to central Canadian markets, but many non-maritime competing products now move to the central markets with a substantial freight rate differential in their favour. On top of this situation it is now proposed to place Bill No. C-120.

Bill No. C-120 could only result in freight rate increases. The railways could be expected to increase their rates most sharply where their competition is weakest and to apply lesser and fewer increases where their competition is strongest.

The Atlantic region could thus expect relatively rapid and substantial rate increases, while in central Canada, where the general level of railway rates is already lower than in the Atlantic region, rate increases would be less substantial and less frequent.

We shall now discuss the significance of Bill No. C-120 for the port of Halifax. Bill No. C-120 would also be harmful to maritime import and export rail rates. These are of great importance to the maritimes' economy by reason of the major contribution made to it by steamship and export and import movement through the ports of Halifax and Saint John. The value of

services rendered to steamships and cargo at the port of Halifax alone approximates $20 million a year. If the cost of moving central Canadian cargoes to and from Halifax and Saint John were to exceed the cost to and from United States ports in winter, cargo could be expected to divert to United States ports. Longshoremen, freight handlers, customs brokers, shipping agents, and railway employees themselves in the Atlantic provinces would be adversely affected.

Export and import rail rates to all ports (United States east coast as well as Canadian) are now governed by an agreed port parity rate structure, which ensures that, irrespective of distance from a common point of origin to two or more ports, the export rate will be the same or nearly so as between various ports. Halifax and Saint John are thus provided an opportunity of attracting cargoes despite their relative distance from points of origin.

The Maritime Freight Rates Act, whatever its worth in ameliorating domestic rail rate problems in the Atlantic region, does not apply to import and export rail rates other than to a very few export rates for goods originating in select territory, which would not in any event come within the port parity rate structure.

Bill No. C-120 could mean the diversion in winter of large tonnages of through-traffic from Canadian to United States ports with corresponding loss of employment and business at Halifax and Saint John. As a guide to the gravity of our concern, the port of Halifax now handles some 800,000 tons of through-cargo a year, with an estimated value to the local economy, for labour and services, of at least $12 a ton.

In thus placing a brief outline of its principal objections to Bill No. C-120 in its present form before you, the port of Halifax commission reiterates its long-standing position that whenever and whatever measures are required to secure for the Atlantic region the constantly competitive freight rates pledged to it at confederation and by subsequent statutes and royal commission studies, the cost of such measure should be borne by the federal treasury and not by the railways.

In conclusion, in recent years much good work has been done at all levels of government and by private and voluntary organizations for the purpose of improving the economy of the maritime provinces and bringing it into line with that of the rest of Canada. For the reasons given among others, the most sensitive and vulnerable point of this economy is the cost of transportation to and from central Canada. Bill No. C-120 in its present form appears likely to have a pronounced detrimental effect on this economy. In all events it is far from clear that this will not be the result. In these circumstances it would be unwise, indeed unintelligent, to apply the bill to this economy, and thereby risk undoing much of the good work that has been done, until the present national maritime policy on transportation for the region and the effect of Bill No. C-120 on this policy can be evaluated at the governmental level.

This task of evaluation can best be undertaken, in our opinion, by a federal royal commission and should be carried out periodically, probably every ten years.

Thank you very much. That is the end of our formal submission. If there are any questions we may be able to answer, we will be very pleased to try.

The VICE CHAIRMAN: Before any questions are asked I would like to point out to the committee that Mr. Mingo and the executive secretary have an appointment with the Minister of Labour at 11.30. If questions are going to be protracted, we should let them leave at quarter past eleven at the latest. They will be able to return this afternoon to the railway committee room. However, Mr. Mingo anticipates and I anticipate that these questions will not be prolonged.

Mrs. Rideout.

Mrs. RIDEOUT: Gentlemen, as a maritimer I want to compliment you on your brief. I know that we who are on the railway committee are sympathetic to your problem, and certainly I could not agree with you more that the transportation facilities of the Atlantic region are in need of improvement.

I am not asking you this question to be critical of your brief, but rather to have clarified a point that appears on page 7. This is in paragraph two:

> And could the railways not arbitrarily declare, if Bill No. C-120 were to pass in its present form, any or all of the existing rates between the Atlantic provinces and central Canadian destinations to be non-compensatory, and then bring into play the convenient statutory obligation in section 334 to increase them?

Surely, Mr. Chairman, the board of transport commissioners will check to ensure that the rates that are compensatory are not declared non-compensatory by Canadian National Railways.

Mr. MINGO: In answer to your question, Mrs. Rideout, I think the thrust of that paragraph is to point up the fact that, initially at any rate, from a practical point of view the initial determination is perhaps as far as most shippers will go. The decision on whether or not a rate is compensatory is to be made by the railways themselves. If a shipper is not satisfied with that determination, and if he is able to establish that he is operating under semimonopolistic conditions, he can apply to the board and ask the board, under the conditions which I outlined earlier, to set a rate for him. But the rate which the board will set is the variable cost as determined by the board plus 150 per cent, which I understand is much higher than any rate is likely to be; it is not a practical rate. Again, as I said at the beginning, I am not an authority on the subject but this is what I have been told and it is my understanding.

Mrs. RIDEOUT: You feel this is really a fair way of reaching a decision as far as the rate is concerned?

Mr. MINGO: It is not a simple matter. I can appreciate the problem of the railways and I can appreciate the desirability of having a healthy transportation system in the interests of the general economy.

Our main point here is that the national transportation policy as set out in Bill No. C-120 has not been evaluated in terms of its effect on what has been called national transportation for maritime provinces, at least we are yet to see the evidence of this evaluation. It is our belief that until this evaluation is made—and we think it can best be made by a royal commission—the bill should not be applied to the maritimes. If it is made applicable to the maritimes, we can find nothing in the bill which will prevent the continuation of the attrition of the national policy for transportation for the maritimes which has occurred in the years since the war; it will be just more of the same thing.

Mrs. RIDEOUT: Do you feel that, because of our geographical location, the terms of the Maritime Freight Rates Act will give enough protection to our particular area?

Mr. MINGO: The terms of the Maritime Freight Rates Act as they now stand give no protection at all to the differential which the act sought to maintain between class rates in the maritimes and the rates at which traffic moves elsewhere in Canada. These are not in the main class rates at all but agreed charges and competitive rates of which the board, under the act, cannot take cognizance.

Mrs. RIDEOUT: Then you feel that the shippers in the maritime area would suffer a real hardship if the bill goes through without a royal commission?

Mr. MINGO: Yes, we feel that a situation which is now unsatisfactory will become more unsatisfactory.

Mr. MACEWAN: I would also like to welcome Mr. Mingo. The last time I met him was in the courts in Nova Scotia. Neither one of us was a witness, but today he is a witness. However, I promise to be very fair.

I would like to read to Mr. Mingo an extract from a document I have here, and I would ask him to comment on it. This document refers to Bill No. C-120. It says:

> The railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate. They will, however, still be subject to the foregoing section of the act, and will have to consider whether any rate action taken elsewhere will "destroy or prejudice" the advantages given shippers in the select territory "in favour of persons or industries located elsewhere."

This is the important part, Mr. Chairman:

> This will be a question of fact and while it does not mean that every maritime rate must be kept 30 per cent below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in section 7. In any case, it will be open to shippers in the select territory to complain to the board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that maritime shippers continue to enjoy rate preferences.

Mr. MINGO: My comment on that is twofold. First of all may I comment on the 30 per cent reduction? It is appreciated that during the period 1948 to 1958 the rates increased by more than 150 per cent, so a reduction of 30 per cent, which at first sight might seem significant, is not significant at all.

I am not a student of the act, and therefore I cannot give a legal opinion even though the practice of law is my profession. My understanding of the act as it has been told to me by others is that it affords no jurisdiction to the board to depress class rates in the maritimes in order to maintain the differential with respect to agreed charges and the competitive rates at which traffic is moving elsewhere in Canada. More and more traffic elsewhere in Canada is moving at agreed charges and competitive rates. This practice commenced in the thirties, but has been made more prevalent during the last 15 years. Therefore, the differential is maintained with respect to a hypothetical rate, or at least to a class rate which is becoming hypothetical because less and less traffic is moving at that rate.

That is my comment on the excerpt.

Mr. MACEWAN: In your brief, Mr. Mingo, you mention at page 7 that as long as a rate is shown to be compensatory the minimum rate should be set—but not the maximum—by the board, and therefore the rates could increase.

Mr. MINGO: That is very true. There is no question about it.

Mr. MACEWAN: As has now been announced, the matter is under study, but as I understand your submission, the position of the Maritime Transportation Commission is that this has not been studied sufficiently and a royal commission should be set up to study the matter.

Mr. MINGO: There should be another royal commission like the Duncan commission, which was a federal royal commission. We think that only a study at that level, clothed with that authority, can produce recommendations to which the weight will be attached that we think has to be attached in order for desirable policies to be pursued on transportation in the maritimes.

Mr. MACEWAN: And, if Bill No. C-120 or some other bill is brought up in the next session you are asking that the maritimes be excluded from the provisions of any bill which may be passed by parliament.

Mr. MINGO: Well, the mechanics of it vary; it may be that they should be excluded or that there be a provision in the bill that none of the rates now applicable in the maritimes be increased. We certainly are asking that the maritime provinces be excluded from the philosophy of the bill until a royal commission has been appointed and has had an opportunity to report, and the findings are evaluated.

The VICE CHAIRMAN: Have you a question, Mr. Stewart?

Mr. STEWART: Mr. Chairman, the brief as presented in a formal way and summarized here today does cover this subject very thoroughly. What I want to do at this time is simply to ask a few questions which will be designed to make myself absolutely sure that I understand in detail what is being suggested to the committee.

Am I to understand that the port of Halifax commission is very much afraid that what will happen with regard to freight rates is that in the larger part of the Canadian market, what we sometimes refer to as central Canada, goods will move at the minimum rate or something close to the minimum rate, whereas in the Atlantic provinces goods will move at the maximum rate, abated by the reduction now prescribed by the Maritime Freight Rates Act.

Mr. MINGO: Theoretically, there is nothing to prevent goods in central Canada moving at a variable cost plus one cent and in the maritimes moving at a variable cost plus one hundred and fifty per cent less the thirty per cent reduction prescribed by the Maritime Freight Rates Act.

Mr. STEWART: You are suggesting the competition both within the maritimes—we can put aside Newfoundland because I think we know fairly well the MacPherson royal commission suggested that is a peculiar circumstance—and between the maritimes and central Canada is not sufficient to make what you like to call the philosophy of this act relevant.

Mr. MINGO: This has been the opinion, I think, of every commission or group that has looked at the problem.

Mr. STEWART: Have you examined the testimony given to this committee on Tuesday, March 2, by Mr. H. J. Darling, director of economic studies of the Department of Transport? At page 796 I asked this question:

> Have you as a result of having examined these waybill analyses come to the conclusion, as mentioned earlier, that there is a sufficiently increased rate of competition within the maritime provinces and between the maritime provinces and the central Canadian market to make this broad scheme of legislation one which will not be contrary to what one might call the national interest?

Mr. Darling's reply was:

> Yes, I believe that is so.

And, are you familiar with the figures presented to this committee by the Department of Transport, as Exhibit No. 1, comparison of carload rail traffic moving under different rate classifications, 1949 to 1963, at page 1?

Mr. MINGO: No, I am not familiar with the figures. I am now reading the question you directed to Mr. Darling, and his answer.

As I said at the very beginning, I am not setting myself up as an expert or even a student of this subject. But, one of the reasons we would like to see a royal commission appointed is that it is not only important, you know,

that Mr. Darling and the staff of the Department of Transport have made studies; it is important that everyone else have the opportunity to see how the studies were made, to examine them critically and to offer evidence in rebuttal, if necessary. This is why we want a royal commission appointed; it would give an opportunity to people like ourselves, the Maritime Transportation Commission, and all others, to examine this type of interdepartmental study, as has been done by the Department of Transport, and to offer evidence on it, if evidence is desirable.

Mr. STEWART: You would agree that the factual condition as to competition is probably the most important criterion in determining whether or not the scheme of this legislation should be legislated.

Mr. MINGO: It is certainly a very important criteria.

Mr. PRITTIE: Mr. Stewart, are you referring to trucking competition?

Mr. STEWART: Yes, you could say trucking competition, although we do get into water competition at certain times of the year; one of the things we are concerned about is whether or not traffic would be diverted to American seaboard ports in winter months when the seaways are closed.

Mr. MINGO: My recollection of the MacPherson report was that up until the time they concluded their study the maritimes, in their opinion, were an area of significant monopoly. That is an expression they used. Are you referring to something that happened since then?

Mr. STEWART: I am referring to the figures between 1949 and 1963. I have done some addition here. I call to your attention that if you consider the traffic moving within the maritime region in 1963 you will find a total of 45.8 per cent of that traffic moved either at competitive commodity rates or agreed charges, whereas only 3 per cent moved at class rates and 51.2 per cent moved at non-competitive commodity rates. In other words, 54.2 per cent is still non-competitive within the maritime region.

Mr. MINGO: Yes.

Mr. STEWART: Now, on page 2 of that same exhibit, under the same categories, agreed charges plus competitive commodity rates between the maritime region and the eastern region in 1963 totalled 54.4 per cent, whereas if you quote class rates and non-competitive commodity rates it comes out to 45.6 per cent. There is a good deal of competition even on goods moving from the maritime region to the eastern region, but it is much less than within the central Canadian market.

Mr. MINGO: I think that a closer analysis of these figures than what has been given may be required to arrive at that conclusion, in the sense you would have to look at the difference between the so-called competitive rates and the class rates to see how different they are. If they are not significantly different perhaps it gives you a distorted view to record everything other than the class rate as a competitive rate. However, this is the type of thing we want to see done. It may be that it has been done to someone else's satisfaction in the department. But, we do not think that sufficient opportunity has been given to others to explore it. We think this kind of opportunity can only be afforded by having another Duncan royal commission on this express subject.

Mr. STEWART: Do you regard the existence of an agreed charge as a good index of the degree of competition existing within a transportation area?

Mr. MINGO: I am hardly qualified to answer that question.

The VICE CHAIRMAN: May I point out to the committee that there is with us today an official of the Department of Transport, Mr. H. B. Neilly, the chief economist of the Department of Transport. If there are any questions to be put further, he is here if it is necessary.

Mr. STEWART: Mr. Chairman, we are not intetrested to-day in the views of the Department of Transport. We are interested in the views of the witnesses before us.

The VICE CHAIRMAN: I am just saying that in case you do question it, he is here.

Mr. STEWART: I am sure we will hear his evidence in due course. I wanted to turn to the passage referred to earlier by Mr. MacEwan wherein section 7 of the Maritime Freight Rates Act, 1927, as adduced, is protection for the maritime region. Am I to understand from the answer you gave to Mr. MacEwan that you do not find much consolation in section 7 of that act?

Mr. MINGO: That is right.

Mr. STEWART: In other words, you would regard this statement prepared by the Department of Transport as a pretty poor solution to the shippers?

Mr. MINGO: You say the first statement prepared by the Department of Transport. What are you referring to?

Mr. STEWART: Which appears as Exhibit 5.

Mr. MINGO: It appears in what part of the page?

Mr. STEWART: The last paragraph.

Mr. MINGO: I concur with what I said before, that my understanding of the way the act has operated is that while the deficiency has been maintained in so far as class rates go, more and more traffic moves other than by class rates elsewhere in Canada and the deficiency has not been maintained with respect to this movement. The reason that it has not been maintained is that the act does not ensure that it will be maintained.

Mr. STEWART: Are you familiar with any case which you could bring forward as foundation for your suspicion of the effectiveness of section 7?

Mr. MINGO: I have seen material on this very point prepared by the Maritime Transportation Commission and I understand that a good deal of this material will be presented to this committee when they present their brief. I think you will find at that time that the point I am making is well documented.

Mr. STEWART: Let me ask one final question that moves away somewhat from what you have volunteered. Am I to understand that you would regard competition as a sound basis for the fixing of price and rates provided that some other considerations such as that of national policy did not interpose itself so as to require modification?

Mr. MINGO: From the point of view of the railways, competition may well be and probably is the best basis for the fixing of rates. However, the health of the railway, as someone pointed out in evidence before this commission, is only one of the interests that have to be considered. It is far more important that we have a healthy economy; that we do not have a deficit in the C.N.R.

As we pointed out in our brief, so long as this country has the tariff and trade policies that it does, it is essential in our secondary manufacturing industry for the maritimes to move its goods to the central Canadian market. The secondary manufacturing industries in the maritimes cannot compete with the markets in central Canada unless they can move their goods at less than the rate which prevails in central Canada. In other words, unless their transportation costs of getting their goods to this market are comparable, they cannot compete and if they cannot compete the people are not going to put industries in the maritimes. It is as simple as that. The trouble with this whole problem is that in many ways the government in other fields, in our Income Tax Act, the Department of Industry and elsewhere, would try to suggest that industry locate there. However, in our opinion the principal

reason that it does not locate there at the rate at which it locates elsewhere is this cost disadvantage in transportation. If you overlook this problem, all the efforts being done in other fields would go for naught.

Mr. STEWART: Mr. Chairman, I wonder if I could ask Mr. Mingo whether his commission has given any thought to ways in which competition for the railway might be created? For example, has the commission studied the possible effects on the port of Halifax of a highway linking the maritime provinces from Mrs. Rideout's home city of Moncton to Montreal?

Mr. MINGO: We have this subject under consideration, particularly in connection with the container operation and this sort of thing.

Mr. STEWART: Do you think this is a problem that should be considered very seriously by this royal commission?

Mr. MINGO: It is one of the things that should be considered by the royal commission. There is no question about it.

Mr. STEWART: Thank you, Mr. Mingo.

Mr. REGAN: Mr. Mingo, there are two or three matters that I thought might be made more clear for some members of the committee who are not as familiar with the problems that exist as perhaps those of us from that particular region. I wonder if you would elaborate slightly on the reason why and the method by which railway rates into the port of Montreal and to Quebec from the industrial regions of Ontario for export and, of course, again in the case of import, would tend, by the railways action, to become lower under the terms of this new act, while the figures would stay much the same or at a higher level on rates into the maritime ports?

Mr. MINGO: I think the short answer to that is that the Maritime Freight Rates Act has no application to this. Therefore, we are operating in a free market and the longer the haul the higher the cost. There is a longer haul to Halifax than there is to Montreal.

Mr. REGAN: What effect would the truck competition have on these rates?

Mr. MINGO: This is the second factor. As I say, the first factor is that as long as variable costs plus one per cent are permissible rates, the variable costs to Montreal would be less than the variable costs to Halifax. Then added to that you have the pressure on the raliways to bring their rates down. I appreciate they bring them down below variable costs on traffic moving by an alternative route. This is the whole problem with the railways inducement to bring them down. They have no corresponding inducement to bring it down to Halifax.

Mr. REGAN: What you are saying in effect is that the trucks cannot compete at present?

Mr. MINGO: They do not.

Mr. REGAN: I see. Now arising out of that statement, at the same time that Mr. Darling was dealing with Mr. Stewart's question that had been referred to earlier, as I recall it, Mr. Darling told the committee that he felt that the degree of truck competition on commodities being shipped for export or import through the maritime ports, the amount of competition of the railways, was rapidly increasing and he felt that the time was coming when that competition would exist as it does into the St. Lawrence ports at the present time from Ontario.

I realize you have not done a statistical review, but can you tell us whether you see any evidence that such an increase is occurring and is likely to have a significant effect in the foreseeable future?

Mr. MINGO: I have not seen the figures on it. I doubt whether my answer is worth giving. However, for what it is worth, our impression is there has been some increase in this at Saint John, but not appreciably at Halifax.

Mr. REGAN: With regard to your earlier answer to the effect that railways well might tend to lower the rates into the St. Lawrence port where the truck competition exists, thus freezing business out of areas like Halifax where the rate is higher, I wonder whether you would comment on a remark Mr. Darling made before this committee in which he suggested it would not be in the railways' interest to do this. Would you agree with Mr. Darling that it would be highly unlikely they would do anything to change the set pattern of traffic to the various ports, or would you feel their main interest would be to maximize their net income?

Mr. MINGO: I think you would have to know a great deal more than I know about the relationship between the railways. I can easily see that the railways are not going to undercut on traffic to Halifax if it will just start an argument in Prince Rupert, or somewhere else. Port parity was entered into to prevent this type of competition. I can only assume that to some extent the forces which brought it into play in the first place still operate. Theoretically there is no doubt that the railways can carry cargo to Saint John cheaper than to Halifax. If the C.P.R. decided to reduce its rate to Saint John in order to capture some of the Halifax traffic, the C.N.R. very well might be forced to do the same thing in order to retain the traffic through the Saint John port itself, or perhaps take it to Portland. As I say, under the act, all this theoretically is possible. As I understand it, in all likelihood what would happen depends on how the railways want to live with each other. I suspect the likelihood is not too great.

Mr. REGAN: Dealing with the matter of the rates having to be compensatory, do you find any room for concern in the fact that the railways themselves, under this bill, are given the responsibility for deciding whether in the first case a rate is or is not compensatory? In view of the extremely complicated nature of the freight rates in this country, and the great amount of discretion that would seem to exist in respect of the cost factors included in determining whether or not a rate is compensatory, do you see some danger that a shipper or a region would be in a very, very poor position to challenge a statement by a railway with regard to the accuracy of a decision that a rate was or was not compensatory?

Mr. MINGO: From a practical point of view, I think a small shipper would have no opportunity to challenge it at all. He does not understand railway policy and is not in a position to quarrel with the railway, or take the time to go to Ottawa to work it out with the Department of Transport or the board of transport commissioners. He just does not have the staff or the background to deal with the subject. Anything I have read on railway costing indicates that even the experts have great difficulty in agreeing with one another on the formula to be used. This is an area in which a person who has not spent his lifetime in this field is hopelessly at sea.

Mr. REGAN: The final question I would ask deals with the fact that the new act proposes to drop the prohibition against discrimination. There is nothing to stop a railway within the rules and regulations which you previously mentioned, from setting rates that are discriminatory. In doing away with this prohibition, do you see a danger that a railway may decide to act in the role of God to the extent of determining which port should be used for various types of products, and also to the extent of favouring, perhaps, some manufacturers over others, and more particularly to determine that certain types of commodities should go through certain ports, and that certain other types should go to other ports.

Mr. MINGO: I can see them arriving at this kind of conclusion, but they would not regard it as discrimination, although that might be the effect of it. I think if they arrived at those conclusions, they would arrive at them for reasons which they consider to be valid and exemplary. There is no doubt about it, at the present time the C.N.R. is anxious to move traffic through North Sydney as opposed to Halifax. That has been a factor in their thinking. I can see that that kind of thinking well might prevail in other situations.

Mr. REGAN: Thank you.

Mr. LLOYD: Mr. Chairman, there have been two or three of us from the maritime provinces questioning the witnesses. We are familiar with the problem. I think I speak for all when I say we support the efforts to improve the situation in respect of transportation in the maritimes, and subscribe to the general objectives in the brief. I have some questions to ask concerning the urgency of this matter, but at this stage I would defer to some other members of the committee from other parts of the country.

Mr. FORBES: The substance of the brief presented today is in respect of a special commission to inquire into the maritime freight rates structure. I would refer you to clause 1(a) in Bill No C-120:

> (*a*) regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;
>
> (*b*) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services—

I emphasize the word "services".

> —provided at public expense; and
>
> (*c*) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty;

Would it not be possible to broaden the terms of reference of the rationalization committee to include the type of inquiry you have suggested in your brief?

Mr. MINGO: Yes. I am not aware of what the timetable is for the passage of this bill. I think much turns on the time available to amend this bill and to give further study to the subject matter with which it deals. My thinking at the moment is what is required is a public inquiry which would take a fair amount of time. For that reason, I doubt whether anything can be included in this bill that would come out of such a public inquiry, or that any inquiry of that kind would be adequate.

Mr. FORBES: What you have indicated now is that the decision of the board of transport commissioners so far has not been satisfactory. Is that right?

Mr. MINGO: We have indicated that the Maritimes Freight Rates Act has not operated satisfactorily. I think the reason it has not operated satisfactorily is that it has not afforded the board of transport commissioners the power to implement the policy that the act was designed to implement.

Mr. FORBES: The classes of freight rates you refer to are the l.c.l.'s, the carloads, and everything else together. None of them are satisfactory.

Mr. MINGO: What we say is that the act has not succeeded in maintaining the differential between the rates at which traffic moves from the maritimes to central Canada, and the rates at which traffic moves within central Canada, for the reasons I have given. It is not meant that any individual rate is unsatisfactory. It is that the act was supposed to implement this differential, and it has not in fact succeeded in doing so.

Mr. FORBES: Thank you.

Mr. LLOYD: Mr. Chairman, I would like to make this observation to Mr. Mingo: in effect I got the impression by his references to what has been described as the bonds of confederation, and to quotations from Macdonald and Cartier, that really that is what he is saying. And then he contrasts it with the opportunities for secondary manufacturing and implies that the developments, that are serious ones to the port of Halifax, derive from the extension of winter navigation in the St. Lawrence. What he is really saying is that this bill focuses attention on the need for a whole examination with respect to the Atlantic provinces as an area of future development, and that while the rates structure, and competitive rate making, are referred to in this bill, it is really a narrow field in which to offer it. He is seeking now to have a commission re-examine this whole question of transportation as it affects the Atlantic provinces in a much broader context.

Mr. MINGO: We even go further than that.

Mr. LLOYD: You think it should be done anyway.

Mr. MINGO: We think it should be done now, and that it had better be done periodically. Transportation is a changing field. Developments which prevail today may not necessarily prevail from 10 to 20 years from now. It is unrealistic to think of a royal commission looking at a situation in 1926 and coming up with recommendations which will make valid and useful contributions for all time. We think the problem should be looked at now. The MacPherson commission did not look at it; and the Gordon commission said it should be looked at. But when it is looked at now we do not think that anyone should conclude that it should not be looked at again. It should be looked at 10 years from now, or at other periodic times.

Mr. LLOYD: What you are really saying is that the appointment of a royal commission is a matter of great urgency.

Mr. MINGO: Yes, there is no question about it.

The VICE CHAIRMAN: Are there any further questions of the witnesses? If not, I will bring to the attention of the committee first of all that I would entertain a motion that the brief presented by the Port of Halifax Commission be added as an appendix to today's proceedings, because Mr. Mingo quoted from certain parts of it but not all of it. Then some members asked questions dealing with parts of the brief which were not quoted by Mr. Mingo.

Mr. TUCKER: I so move.

Mrs. RIDEOUT: I second the motion.

Motion agreed to.

The VICE CHAIRMAN: Thank you very much, Mr. Mingo and Mr. March.

Mr. STEWART: I would like to bring up another point. Both Mr. Mingo and I referred to certain exhibits. May I ask if arrangements have been made to assure that those exhibits will appear in the proper place in the record of this committee?

The VICE CHAIRMAN: I shall check with the clerk now as to that. I am informed by the clerk that there has been no motion to date that the exhibits prepared by the Department of Transport be printed as an appendix. I would entertain such a motion.

Mr. STEWART: I so move.

Mr. MACEWAN: I second the motion.

The VICE CHAIRMAN: You have all heard the motion that the exhibits prepared for the standing committee dealing with a comparison of rail traffic and so on, prepared by the Department of Transport be printed as appendices to the proceedings of this committee. All in favour?

Motion agreed to.

Mr. REGAN: Before we release the witnesses I wonder if I might be allowed to say, now that we have concluded the questioning of Mr. Mingo and Mr. March, how important this question is to the city of Halifax; and I would like to call attention to the fact that the mayor of our city, Charles Vaughn, is here today listening to the evidence that has been given, and also the city manager, Mr. Peter Byers. I wonder if those gentlemen would kindly stand.

The VICE CHAIRMAN: Mayor Vaughn and Mr. Byers, please stand. I have fond memories of Mayor Vaughn, since I am wearing his own cuff links which he presented to me in Halifax. I thank him for them.

Mr. COWAN: May I ask one question before the witnesses leave?

The VICE CHAIRMAN: Yes.

Mr. COWAN: We have a bill before us right now in which the port of Montreal is classified as being an Atlantic port. I come from Toronto which is on the great lakes. Montreal is called a great lakes port in the regulations of the great lakes. What particular advantage would accrue to Montreal if it were classified as an Atlantic port?

Mr. MINGO: I understand that it would qualify for subsidy under the bill for "at and east rates", and that the railways would qualify for the subsidy. Perhaps Montreal should be reclassified as a St. Lawrence river port.

Mr. COWAN: We do not like the suggestion of it being called a great lakes port.

The VICE CHAIRMAN: That is a very interesting question. I would thank Mr. Mingo and Mr. March for attending here today, and having their brief presented to us on such very short notice.

I would ask the members not to leave because we still require a quorum for the National Farmers' Union of Canada brief which we will hear right away. I shall now release Mr. Mingo and Mr. March for their appointment with the Minister of Labour.

Gentlemen, we now have delegates from the National Farmers' Union of Canada, and I would ask Mr. Roy Atkinson, the president, and James McCrorie the research director to come to the head table. Mr. MacEwan, Mr. Regan, Mr. Cowan, and Mr. Lloyd will kindly remain in their seats so that we can continue with the brief.

Mr. MILLAR: Forget the politics and let us get on with the job.

The VICE CHAIRMAN: Madam and gentlemen of the committee, we have with us Mr. Roy Atkinson, the president of the National Farmers' Union of Canada, and on his right Mr. James McCrorie, the research director of the National Farmers' Union of Canada. They have brought with them today a brief which was distributed to you. I will call upon Mr. Atkinson to commence with his presentation.

Mr. FORBES: Before you start, Mr. Chairman, we did not have any notice that this brief was going to be presented this morning, at least I did not receive one. It is rather regrettable that more western members of this committee are not here to hear Mr. Atkinson's brief.

The CHAIRMAN: I agree we did not have the brief very long. We received it this morning. Perhaps Mr. Atkinson had some difficulty in preparing a brief for this meeting today. We called a special meeting this week in order to take care of the port of Halifax commission and the National Farmers' Union of Canada. I understand the brief was prepared and finished some time Monday morning so it could be put into our hands this morning. I agree with you that more of the western members should be here; however we were not able to give them notice of it.

Mr. FORBES: Should we not postpone the hearing of this brief until this afternoon?

The CHAIRMAN: Mr. Forbes, last week the committee was informed, as it appears on page 862 of the proceedings, as follows:

> The only people who have indicated their desire to come before this committee in the near future—and do not forget that everyone has been advised fully about these meetings and has been asked to tell us if they are interested in appearing or to send us their brief—are the port of Halifax, the Canadian Industrial Traffic League, the Canadian Manufacturers Association, and the National Farmers' Union. Meetings will be arranged to hear representatives of these organizations on March 23 and March 25.

Members of the committee have received the minutes of these proceedings and would know that the delegation from the National Farmers' Union of Canada would be here today.

Mr. FORBES: But in view of the fact that we only received this brief last night, and that there was no indication that this was going to be presented, maybe we should postpone it this meeting.

The VICE CHAIRMAN: The indication of it was in the minutes. We prefer to have our briefs early, but I understand there was some difficulty in getting this brief before us today. I think they have done very well to get it before us.

Mr. STEWART: We know that we are not dealing here with a bill which will be proceeded with in the ordinary way. Now that we have these gentlemen with us I think it would be courteous to them to proceed this morning. Although the people from western Canada may not be numerous here, I am sure that those who are here will carry on.

The VICE CHAIRMAN: It was my intention to proceed with Mr. Atkinson and ask him to present his brief because, as Mr. Stewart said, we are dealing with the subject matter of the bill, we are not dealing with it clause by clause. I think that especially the western members know very well the subject matter of this bill and the principles that are involved and therefore will be able to deal with the presentation made by Mr. Atkinson and Mr. McCrorie.

Mr. FORBES: May I make one further suggestion, that Mr. Atkinson read his brief very slowly so that he will not complete it by 12 o'clock, and then we will have to go on this afternoon?

The VICE CHAIRMAN: I would like to bring to the committee's attention that perhaps we should sit here until 12.30 or one o'clock, if it is the wish of the committee, because we are to resume our sittings this afternoon at 3.30 or after the question period in the railway committee room in the centre block. If we do finish this morning, then it will not be necessary to sit this afternoon. I will ask Mr. Atkinson to proceed and we will see how far we can get this morning.

Mr. HOWE (*Wellington-Huron*): I do not think that is fair to the western members who are on this committee. We got these other notices of what will be done this morning, but there are a lot of the members of this committee who are very interested in the National Farmers' Union and their brief.

I would like to move that this committee adjourn until this afternoon so as to give an opportunity to the western members of the committee to be here while the brief is read.

The VICE CHAIRMAN: I am in full sympathy with that request, Mr. Howe. I understand from Mr. Atkinson that he and Mr. McCrorie will be here this afternoon. They intend to leave tomorrow morning. We can deal with it this afternoon.

Mr. FORBES: I second Mr. Howe's motion.

Mr. REGAN: Mr. Chairman, I would like to speak on the motion. I think that probably it would be useful to go ahead to some degree and have a general outline this morning at any rate because certainly a lot of us have scheduled our day in such a way as to come this morning. I think perhaps more of the western members should follow the example of Mr. Forbes and try to be here all the time. However, I am certainly sympathetic with Mr. Forbes' position. I think all the western members on this committee should have an opportunity to participate in this meeting just as a lot of us who are not from the west and who are interested in it. Since we are here it might be useful at least to allow our witnesses to get into the subject this morning and then we can deal with the questioning this afternoon. In the meantime the western members can pick up copies of the brief and run over it. Would that be reasonable?

Mr. MACEWAN: I concur with Mr. Forbes and Mr. Howe. It is all a matter of timing. I know we must keep in mind the convenience of our witnesses, but everybody was given an opportunity this morning to study matters concerning the Port of Halifax Commission and matters which affect that area. I therefore think that an adequate opportunity should be given to study matters relating to the National Farmers Union. I imagine some of the western members also have full time tables, and they should be given an adequate opportunity to deal with this brief.

The VICE CHAIRMAN: May I present the motion that I have before me? It was moved by Mr. Howe, seconded by Mr. Forbes, that the committee adjourn until this afternoon to consider the brief of the National Farmers Union of Canada.

I wish to point out to you that Mr. Atkinson and Mr. McCrorie are prepared to proceed this morning. The motion is before the committee.

If there is any discussion, I will hear it before I call the vote.

Mr. HOWE (*Wellington-Huron*): The notices which were sent out indicated there was to be a meeting this afternoon at 3.30. So far as your schedule is concerned, Mr. Regan, if you intended to attend the meeting, this was already indicated.

Mr. REGAN: I was speaking about this morning.

Mr. TUCKER: I would like to know what assurance you can give us, Mr. Chairman, that we can meet at 3 o'clock or at any other time this afternoon.

The VICE CHAIRMAN: I cannot give you any such assurance.

Mr. TUCKER: I think we should carry on if only to 12 o'clock.

Mr. STEWART: Mr. Chairman, I think that in fairness to our witnesses we ought to clarify one thing. I think they ought to know whether their brief is going to be printed as an appendix to the record of the day because this will determine, to a great extent, how they are going to proceed, either now or later today. This does have some relevance to the question of whether or not we should go on now. If they know that their text is going to be printed, presumably they would proceed by making a short statement of the brief. If we only had that this morning, then members from the west who might be here this afternoon would be at a disadvantage in not having heard the statement on the brief.

The VICE CHAIRMAN: May I state that the intention of Mr. Atkinson is to read the brief up to page 21 which is the conclusion of the recommendations. The appendices will not be read by Mr. Atkinson. It was my intention to

accept a motion to have the brief and the appendices printed as an appendix to today's proceedings. The presentation made by the National Farmers Union of Canada will proceed up to page 21 of the brief.

Mr. STEWART: Then, Mr. Chairman, if what is going to happen at the first part of the meeting is simply a reading of the brief, could we not proceed with that now? The other members of the committee will have the brief before them. We could save time by proceeding in that way. We could then go right into the reading of the remainder of the brief this afternoon and the questioning on it. The members are pretty familiar with this. I do not think this is something that has to be followed constantly by ear.

Mrs. RIDEOUT: Mr. Chairman, I have a suggestion. I am wondering if we could maybe allow five minutes to permit one of the hon. members to telephone some of the western members of the committee. We have all been notified of this meeting. This is a railway committee meeting; it was not just a meeting to hear the maritime brief. This was a meeting of all members of the committee. Would some member be able to get the western members here?

The VICE CHAIRMAN: We did have some members from the west here this morning. The National Farmers Union might have made some earlier commitments and have to leave. I feel that if the mover and seconder of the motion will agree, we could proceed with the reading of the brief up to page 21 and then proceed to the questioning of our witnesses this afternoon. By that time we should be able to have all the members here.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, I presented a motion.

The VICE CHAIRMAN: Is everyone ready for the question?

Those in favour of the motion please raise their hand?

Motion negatived, seven to six.

Mr. REGAN: Mr. Chairman, do you require a motion to go ahead on the basis you have suggested?

The VICE CHAIRMAN: No, I think we should proceed with Mr. Atkinson's presentation now and see how far we can go. In the meantime, I think a telephone call should be made to the western members who are interested in order that they will be here this afternoon.

Mr. HOWE (*Wellington-Huron*): I think another notice should be sent round. We have no indication at all on these notices that there is to be a brief from the Farmers' Union.

The VICE CHAIRMAN: There is never an indication of the witnesses on the notices, only on the briefs that we receive.

Mr. HOWE (*Wellington-Huron*): In the past it has been on the notices.

The VICE CHAIRMAN: It is set out in the minutes in that way.

Mr. TUCKER: That should be done this afternoon.

The VICE CHAIRMAN: Let us proceed. We are just wasting time.

Mr. Atkinson.

Mr. ROY ATKINSON (*President, The National Farmers Union of Canada*): Mr. Chairman, Mrs. Rideout, members of the committee, I would like first of all to say that because of other commitments in terms of time and shortages of staff, and owing to the short notice, we were unable to finish our brief until Monday morning. We had intended to have a translation made by an economic historian from the University of Saskatchewan. However, time did not permit.

I wish to make it clear that the National Farmers Union believes translations ought to be made. First, we believe the French speaking members of parliament ought to have the right to expect briefs of this nature to be submitted in French as well as in English. Second, we believe organizations

such as ours have an obligation to submit briefs of this nature in both French and English. Third, our failure in this matter was not intentional; it was due to pressure of time. We apologize for any inconvenience that may have been caused.

There was some discussion earlier about the presence here of western members. The nature of our presentation is such that we believe it is in the interests of all Canadians.

We welcome the opportunity of appearing before your committee and presenting our views on the question of national transportation in Canada. The National Farmers Union is a federation of the following provincial organizations: the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers Union, the Farmers' Union of Alberta and the Farmers' Union of British Columbia. We represent some 60,000 Canadian farm families.

We wish to commend the government of Canada and the Minister of Transport for referring the subject matter of Bill No. C-120 to this committee before second reading. A request to this effect was made to the Minister of Transport by the Saskatchewan Farmers Union on October 5, 1964.[1] We are pleased to note that the minister has given the request favourable consideration.

Terms of Reference

Two statements made in the House of Commons by the government define the terms of reference of the committee's inquiry. On Tuesday, February 16th, 1965, the Minister of Transport said in part:

> ... I was hoping ... to see if it would be possible by agreement to have, not the bill itself, but the subject matter of the bill ... referred, almost immediately, to the railway committee so we could use the time of the rest of this session to hear some of the representations that many people are anxious to make about this bill . . .[2]

The minister made it clear that the referral of the subject matter of Bill No. C-120 did not involve a commitment to the principle of the bill. He said in part:

> It would involve no one committing himself to the principle of the bill at all, but would merely make the bill available for study . . .[3]

On Thursday, February 18, the minister moved second reading of Bill No. C-120, the motion being amended to read that the bill be not read the second time, but that the subject matter thereof be referred to this committee.

The question follows: What is meant by the "subject matter" of the bill? Section 1 of Bill No. C-120 presently reads in part:

> It is hereby declared that the national transportation policy of Canada is the attainment of an efficient and fully adequate transportation system by permitting railways and other modes of transport to compete . . .[4]

Without commenting on the principle enunciated in section 1, we note that the words "fully adequate transportation system" and "railways and other modes of transport" are used in reference to policy. Although subsequent sections of the bill deal almost exclusively with the question of railroad transportation, it is clear that the authors of the bill are concerned with the relation of rail to other modes of interprovincial transportation. We take the "subject matter" of the bill to mean, then, the entire question of interprovincial transportation, with special consideration given to railroads.

---

[1] A copy of the letter can be found in Appendix A.
[2] *Hansard* Feb. 16, 1965, (Ottawa: Queen's Printer, 1965), p. 11380.
[3] *Ibid.*
[4] Bill C-120, Sept. 14, 1964.

In view of the terms of reference, as we interpret them, we have chosen to confine our remarks and observations to a discussion of the principles of national transportation policy, with attention given to railroads.

PRINCIPLES OF NATIONAL TRANSPORTATION POLICY

The principles of national transportation policy must be considered in the light of the historical role and function of transportation in Canadian political and economic development. In this section of the brief, we propose to discuss the historical role of transportation in Canada, the function of transportation, and what we consider to be the objective of national policy in regard to interprovincial transportation.

Historical Role of Transportation in Canada

Since the turn of the 19th century, transportation in Canada has been instrumental in developing a national industrial and politically independent nation.[1] The development of the St. Lawrence-great lakes system through canals, the construction of the Intercolonial Railway to the Maritimes (1876), and the Canadian Pacific to the west coast (1885) were conditional to the emergence of a national industrial complex politically independent of the United States. Innis observes:

> The act of union, and the construction and deepening of canals, the support of the Grand Trunk Railway, Confederation, the construction of the Intercolonial, the national policy, and the support of the Canadian Pacific, the Grand Trunk Pacific, the National Transcontinental, and the Canadian Northern were results of the necessity of checking competition from United States, and of overcoming the seasonal handicaps of the St. Lawrence and the handicaps incidental to the precambrian formation and the Rocky Mountains period. To build canals and improve the St. Lawrence system, and to build railways to the maritimes and across the precambrian formation north of lakes Superior to British Columbia, from Montreal, Quebec, and Toronto, necessitated reorganization of the political structure, grants in land and cash, and the tariff, particularly the national policy and imperial preferences.[2]

Put another way, the development of an interprovincial transportation network has never been exclusively regarded as an end in itself. The system of canals built during the early part of the 19th century was designed to improve trade and commerce in staples such as furs, timber, and cereal grains.[3] The canal system per se was subservient to other economic objectives.

The construction of the Intercolonial and the western transcontinentals was in response to achieving the goal of economic and political unity north of the 49th parallel. Indeed, the route followed by the Intercolonial satisfied military and commercial rather than economic considerations.[4] The same was true of the routes followed by the western transcontinentals. Fowke observes:

> It would be incorrect to assume . . . that the prairie provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built. One of the chief concerns of the

---

[1] See V. Fowke, *National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1957.)

[2] H. A. Innis, *Essays in Canadian Economic History*, (Toronto: University of Toronto Press, 1962), p. 229.

[3] See G. P. deT. Glazebrook, *A History of Transportation in Canada*, (Toronto: McLelland and Stewart Ltd., 1964), Vol. 1.

[4] *Ibid.*, Vol. II, Chap. VI.

> early railway policy of the Dominion Government was the exclusion of American railways from Canadian territory to the west of the Great Lakes.... The national policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than no railways at all.[1]

And Innis writes:

> The growth of remunerative traffic to western Canada after the turn of the century led the Grand Trunk to assume an aggressive policy with plans to extend its line from Chicago to Winnipeg. Again the tariff and the refusal of the Canadian government to support a line through American territory compelled it to agree to co-operate in the construction of the National Transcontinental Railway from Quebec to Winnipeg in the west and to Moncton in the east, and to build, under a subsidiary, the Grand Trunk Pacific, a line from Winnipeg to Prince Rupert. The result was a transcontinental line from Moncton to Prince Rupert with no close connections with the parent system and ill adapted as a direct entry into Western Canada.[2]

The burden of financing the construction of an interprovincial transportation network during the 19th and early part of the 20th centuries fell largely on the shoulders of the Canadian taxpayer. The cost of building the Intercolonial Railway was borne by the federal government.[3] The construction of the CPR was made possible in large measure through public subsidies, land grants, and guaranteed loans.[4] The Canadian Northern received public subsidies and land grants, the Grand Trunk Pacific received public guaranteed bonds and loans, and the National Transcontinental Railway, built by the federal government, was turned over to the Grand Trunk Pacific.[5] Later, the Canadian Northern, the Grand Trunk, the Grand Trunk Pacific, the National Transcontinental and the Intercolonial were brought under the single management of the Canadian National Railways, a publicly owned utility.

If railways, along with canals, were instruments of national policy, it must also be said that the Canadian public assumed its full responsibilities in the creation, financing, and later, the operation of such instruments.

The historical role of transportation in Canada can now be restated. Interprovincial transportation has been an indispensable instrument of national policy. In most cases, the taxpayer has borne the expense of providing and operating the service, regardless of the mode; in some cases, the public has subsidized private corporations for the construction and operation of a mode. In all cases, the public—that is, the federal government—has assumed responsibility for the regulation and control of interprovincial transportation, if only on a modal basis.

The Function of National Transportation

Industry—be it agricultural or otherwise—continues to rest on the movement of goods and services. Transportation then continues to be instrumental to industrial development and growth.

---

[1] Fowke, *op. cit.*, pp. 68-69.

[2] Innis, *op. cit.*, p. 226.

[3] Glazebrook, *op. cit.*

[4] See "An Historical Analysis of the Crowsnest Pass Agreement and Grain Rates". *A Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960; Chap. V and Appendices A & B; Glazebrook, op. cit., Chaps. VII-IX.

[5] Glazebrook, *op. cit.*, Chap. X; C. Martin, "Dominion Lands Policy", *Canadian Frontiers of Settlement*, ed. W. A. MacIntosh & W. Joerg. (Toronto: The Macmillan Co., 1938). Chaps. IV and V.

During the past one hundred years, Canada has developed a variety of modes of transportation. They include:

(*a*) Ships
(*b*) Railroads
(*c*) Motor Vehicles
(*d*) Airplanes
(*e*) Pipelines

Each and every mode listed above requires government involvement and expenditure for its successful operation. Inland and overseas shipping requires canals, harbors, navigational aids, channels which are properly dredged, weather reports, and so on. All of these indispensable services are provided through government expenditure and planning.

Canadian railroads not only required public moneys for their construction and operation but through the Canadian National Railways, the government has become directly involved in the provision of rail transportation service.

Motor vehicle transportation requires roads, weigh stations, road maintenance and patrol, etc.; all of which are provided through federal and provincial expenditure.

The first national airline service in Canada was provided through a government-owned air service; and the maintenance and provision of airline terminals, weather maps, and the regulation of such service, falls within the jurisdiction of the federal government.

To summarize, the provision of interprovincial transportation services, regardless of the mode, is instrumental and functional to the well-being of the Canadian economy. The services, in turn, depend, in part—and in some cases in whole—on public regulation, expenditures and control.

The Objectives of National Policy

We have attempted to show that the provision of national transportation has been a critical and indispensable instrument in shaping our national historical development. Indeed, the use of transportation as an instrument of national policy has been both conscious and deliberate.

Moreover, we submit that the ultimate role of interprovincial transportation in our national development has not changed. The provision of national transportation services remains a means to achieving both economic and political goals.

Recognizing the historical and functional role of transportation in Canadian economic and political development, we submit that interprovincial transportation be regarded as a service industry, necessary to the well-being of the economic and political future of our nation. As such, the provision of interprovincial transportation services should be regarded as a means to an end, not an end in itself.

At this point, we wish to draw your attention to the report of the MacPherson royal commission on transportation. In volume II of their report, the commissioners observe:

> Almost every transaction which occurs in the life of the nation involves transportation as one element of cost. Thus the material well being of the nation is improved when goods are manufactured and services are rendered under conditions where the real cost of transportation is kept to the minimum necessary to provide fully adequate services.[1]

[1] *Report of the Royal Commission on Transportation*, Dec. 1961, Vol. II, Chap. 1, pg. 9.

The commissioners, however, do not define the objectives of national transportation policy in terms of the provision of "fully adequate services". Rather, they define national transportation policy in terms of the means of providing fully adequate services; in their own words, they are concerned with the "... effectiveness of transport itself..." Two related concepts are central to their argument and recommendations: economy and efficiency. National transportation policy, for the commission, should be the attainment of an efficient and economic transportation system.

We submit that the commission has elevated the means to providing a fully adequate transportation system to an end in itself. Not the provision, but the providers of interprovincial transportation become the objective of national policy. The criteria for service is not need, but whether or not the service is economic—and therefore rewarding, and efficient—and therefore competitive.

Put another way, the commissioners write:

> It should be quite apparent that as long as the transportation system is required to perform services which do not reflect commercial incentives, financial assistance from the government will be a necessary concomitant of transportation policy.[1]

That is, the providers of transportation should only be required to provide those services in which they can realize a profit. If the national interest demands the provision of services which do not reflect commercial incentives then the cost of providing such service should fall on the shoulders of the Canadian taxpayer. We note that the financial burden to the taxpayer in these instances is not to be tempered by applying profits on economic services to losses on uneconomic services. Rather, public monies are to be used, when necessary, to guarantee profitable returns to the providers of transportation service.

We reject this point of view. National policy should be concerned first and foremost with the objective of national transportation, and it bears repeating that the objective of interprovincial transportation has been, and remains an instrument in developing and maintaining a viable economic and political nation. The means of providing transportation services have been and should continue to be tailored to this objective. They have not and should not become an end in themselves.

The Implementation of National Policy

Having defined national transportation as a service industry, instrumental to the development and maintenance of a viable economic and political nation, we turn to a discussion of what we consider to be the appropriate means whereby national policy may be implemented.

We wish to deal with three questions: (1) How shall service be provided; (2) Where shall service be provided; and (3) How the cost of providing service may be met. In other words, we are concerned with the manner in which service shall be provided, the determination of need for service, and the financing of service.

The Provision Service

The transportation industry in Canada has not remained immune to the technological revolution of the fifties and sixties. Innovations have taken place within long-established modes of transportation. For example, since 1945 the C.N.R. and C.P.R. have introduced sweeping technological innovations to the

[1] *Ibid.*, Chap. VII, p. 195.

railway industry. The conversion to diesel locomotive power, modernization and improved capacity of rolling stock, the introduction of centralized traffic control (C.T.C.), automatic hump yards, the master agency plan; the extension of section limits and the mechanization of techniques for maintaining track; the abandonment of branch lines, the introduction of terminal run-throughs, the centralization of car repair shops, and the mechanization of office procedures, are some of the innovations which have changed the face of railroading in Canada.

Innovations have widened the scope and capacity of other modes of transportation. For example, improved roads, the construction of interprovincial highways, the roads to resources programme, along with the improved design and construction of powerful motor units, have enabled trucks to move into the field of long distance hauling, a field previously monopolized by railways. Improved design, along with the introduction of the jet engine, have increased the capacity and scope of airplanes.

Innovations have also introduced new modes of transportation. Pipelines are a case in point. To date, they have been used to transport fluids over long distances. However, our investigations lead us to believe that pipelines may be developed which are able to transport solids such as grain.

The problem in providing adequate interprovincial transportation services then does not lie in the absence of a number of suitable modes. To the contrary, our experience during the past twenty years leads us to believe the future promises a wider variety of transportation services. The problem lies rather in harmonizing, co-ordinating, planning and regulating the various modes on a national basis and in the national interest. To date, no federal agency or authority has been developed nor promised to fill this need.

In 1938 parliament passed the Transport Act which established the board of transport commissioners for Canada. The original intention of the act was to provide for a government board with the object of co-ordinating and harmonizing the operations of all carriers engaged in ship, rail and air transportation.

In 1944, parliament changed its policy in regard to national transportation. The Transport Act was amended, giving the board of transport commissioners jurisdiction over the construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the great lakes, and any other matter defined in the act or special act related to transportation.

Air transportation was brought under the control of the air transport board (1944) which was given the power to regulate air transportation without reference to the board of transport commissioners.

In 1947 parliament passed legislation creating the Canadian Maritime Commission. The commission does not have the regulatory authority of the board of transport commissioners. However, it keeps records of shipping services, and administers the subventions for coastal steamships which parliament passes each year.

In 1961, the MacPherson royal commission on transportation recommended the establishment of a transportation advisory council to continually study transportation investment and make policy recommendations to the Minister of Transport.

In 1964, the federal government introduced Bill No. C-120 to the House of Commons. The provisions of the bill further fragmentized federal policy in regard to national transportation. Section 72A of the bill called for the establishment of a branch line rationalization authority, to be responsible to the Minister of Agriculture.

The obvious and glaring failure of the federal government, and in the last analysis, parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting. To say there is a need for such an authority is to belabour the obvious.

We therefore recommend that this committee consider the establishment of a federal transportation authority, to harmonize, co-ordinate, plan and regulate the transportation on a national basis, regardless of the mode.

Such an authority should have similar powers to those presently held by the board of transport commissioners. Specifically, the authority should have the power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. The authority should be responsible to the Minister of Transport.

Determining Need for Service

The demand for transportation services can be both regional and apparent, and local and debatable. The MacPherson royal commission has recommended that the market mechanism be given free rein in regulating the relationship between the demand for transportation services, and the provision of same.

The commissioners concede, however, that the market place does not always guarantee service to areas or regions in need of service. The need for service is equated, in effect, with the probability of realizing a profit in the provision of service. "Unremunerative" service, by definition, is "unneeded" service. Nothing could be further from the truth.

We submit that there is an intelligent and therefore commendable alternative to the market place; an alternative which satisfies the objective of national transportation policy as defined in the previous section of this brief.

A transportation rationalization agency should be established, the purpose of which should be to assess and determine the need for transportation services, regardless of mode. The agency should be responsible to and under the jurisdiction of the federal transportation authority described above.

The agency should be provided with a research staff, made up of transportation economists, economists and sociologists. The research staff could assist in determining the social and economic needs for transportation services.

Applications by shippers and/or communities for transportation services, and applications by the providers of transportation services for leave to provide or abandon service should be submitted to the federal transportation authority. The authority, in turn, would forward the application to the rationalization agency for processing.

The processing of the application would take two forms: (1) The agency would undertake regional studies, such preliminary studies to be continually updated and used to provide a basis for judging need. In addition, the agency could direct their research staff to conduct any additional studies which a given application might warrant; (2) The agency would hold public hearings at which the parties involved would have the opportunity of arguing and defending their case. On the basis of public hearings and the studies mentioned, the agency would assess the need for transportation services and forward their recommendation to the federal authority.

It would be expected that in most cases, the authority would accept the recommendation of the subordinate agency. However, in ruling, the authority would be in a position to assess the judgment or recommendation in terms of a wider context—that of national transportation as a whole.

Provision should also be made for appealing the recommendation of the rationalization agency; the appeal being made to the federal transportation authority.

In determining the need for service, we suggest there are at least three critical considerations:

(1) The economic requirements of the provider of service;
(2) The economic needs of the shipper and/or community;
(3) The related social considerations of the community.

Financing Service

Transportation service must be paid for. We suggest the following procedures:

The providers of transportation service should establish what they consider to be fair and reasonable freight rates.

These rates, in turn, should be approved by the federal transportation authority, much in the same manner as the board of transport commissioners presently approves rail freight rates. We repeat that the authority shall at all times have the power to fix, alter and approve freight rates.

Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, insofar as is possible.

The costs of federal subsidies paid to railway companies which incur annual deficits in their operations in order to meet the objective of national transportation policy, must be charged to the nation as a whole rather than charged to any particular segment of the economy.

The Application To Canadian Railways

In the first two sections of this brief, we have attempted to define the objective of national transportation policy, and explore means of implementing that policy. In this last section, we would like to relate, in part, the principle and mechanisms discussed above to the operation of Canadian railways.

Transportation as a Unit

If the provision of transportation services is to be regarded and treated as a unit, then railways can no longer be considered in isolation to other modes of transport. Existing legislation should be, where necessary, updated and revised, providing for an authority having jurisdiction over all modes of transportation, including railways.

A number of questions might serve to illustrate the point. Should railways be required to provide service to a given community when trucks and/or pipe lines can provide the same range of services more efficiently and economically? Obviously a judgment is involved. Are the claims of pipe line and trucking companies reasonable and legitimate? Is railroad service in this instance still necessary, beyond the question of economy and efficiency? Questions and judgments of this kind should be settled by a neutral and impartial authority, an authority with national responsibility and power, and an authority which is capable of assessing and acting in the national interest. Above all, questions and judgments of this kind—related to the provision of railway service—cannot be considered without reference to other modes of transportation.

Determining the Need for Rail Service

At present, the board of transport commissioners regulates and controls the construction and/or the abandonment of rail service and branch lines. In general, this principle is sound, and we reject without reservation the proposals presently contained in Bill C-120 which relate to the abandonment of branch lines. (See Appendix B)

However, we feel the present policy in regard to the regulation and control of the construction and/or abandonment of rail service and branch lines can be strengthened in two ways:

First, the board of transport commissioners should be replaced by the federal authority discussed above, thereby bringing the entire question of railroad service into a wider and more meaningful context.

Second, the federal authority should be assisted in its duties by the creation of a transportation rationalization agency, also discussed above in the previous section. The agency would serve to process applications for leave to provide or abandon rail service and/or branch lines. In this way, the judicial function of the authority would be complemented by the investigative function of the agency.

Freight Rates

We suggest the regulatory powers presently held by the board of transport commissioners be turned over to the proposed federal transportation authority. We reject those proposals in Bill No. C-120 which weaken the powers currently held by the board of transport commissioners—that is, section 15 of the bill. We submit that the fixing of freight rates is too important a matter to be left to the discretion of railway companies.

We once again reiterate our support for Crowsnest rates on flour and grain.

Economies and Efficiencies in Railroading

We submit that there will be times when the national interest demands and requires the provision of so-called uneconomic railroad service. In such cases, we have recommended that federal subsidies be made available to cover any loss involved.

We wish to make it clear, however, that subsidies should be paid to railway companies on the basis of a deficit in their overall railway operation. Railway companies should be required to cover losses on so-called uneconomic services, with profits made on so-called economic service. Only if there is an overall deficit should a federal subsidy be considered.

Moreover, it is imperative that the federal transportation authority ensure, in so far as it is able, that the operation of railway services be efficient and economic. By this we mean, railway companies should be required to operate as efficiently and as economically as is possible, with the understanding that they may, from time to time, be required, in the national interest, to provide service on which they cannot cover their costs of operation. The national requirements for so-called uneconomic service should not be permitted to become a licence for extravagance and misuse of public funds.

To this end, we recommend the nationalization of the Canadian Pacific Railway Company, and the integration of the Canadian Pacific system with the Canadian National Railways. The reason for nationalizing the Canadian Pacific Railway can be summarized as follows:

(1) In public statements, the Canadian Pacific Railway has made it clear that it is only prepared and able to provide railway services which offer commercial incentives.

(2) The Canadian Pacific Railway is not prepared to cover losses on so-called uneconomic services, with profits on so-called economic services, nor with profits earned from its many and varied investments in other industries.

(3) The existence of two national railway companies involves unnecessary duplication of track, physical plant, and resources.

(4) Economies can be realized through the integration of the two railway systems, and the operation of the integrated system with one line of management.

Conclusions and Recommendations

Interprovincial transportation has been, and continues to be indispensible to the economic and political future of our nation. As such, transportation is a service industry and should be regarded and treated as such.

The basis for providing transportation service should be the social and economic needs of the shipper and/or community—be it local or national. The cost of providing such service is an important but secondary consideration.

We submit the following recommendations for your consideration:

(1) The establishment of a single federal transportation authority with power to harmonize, regulate, control and plan national transportation services, regardless of mode.

(2) The treatment of national transportation by the authority as a unit.

(3) The placing of the authority under the jurisdiction and responsibility of the Minister of Transport.

(4) The creation of an agency under the authority to assist in the determination of need for service.

(5) The nationalization of the Canadian Pacific Railway and the integration of that system into one single government utility.

All of which is respectfully submitted by

The National Farmers Union of Canada.

The VICE CHAIRMAN: Before proceeding further, members of the committee, I would be pleased to accept a motion that the appendices attached to the brief of the National Farmers Union of Canada be printed as an appendix to today's Minutes of Proceedings and Evidence. The brief has been read to you up to and including page 21, but the appendices have not been read.

Moved by Mr. Tucker, seconded by Mr. Southam.

Motion agreed to.

Mr. PRITTIE: I think we now have reached the time when we might adjourn until 3.30 p.m., or after the orders of the day, and pick up the questioning at that time.

The VICE CHAIRMAN: The brief which we received this morning now has been distributed to all members of the committee so that you will have it this afternoon. I think the suggestion of Mr. Prittie is sound; we will adjourn, if the committee sees fit, until 3.30 p.m., or after the question period. We will meet in the railway committee room in the centre block.

I would like to inform members that on Thursday, March 25, we will be hearing representations from the Canadian Manufacturers Association. A copy of their brief has been forwarded to all members. On that day we also will be hearing the Branch Line Association of Manitoba, from whom we have not received a brief. On Tuesday, March 30, we will be hearing three delegations; first, the Canadian Industrial Traffic League; second, the Maritime Transportation Commission, Halifax; and third, the National Legislative Committee of the International Railway Brotherhoods. We have received copies of the briefs and these will be distributed before the meeting.

We will now adjourn until 3.30 p.m. or after the question period.

AFTERNOON SITTING

TUESDAY, March 23, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum, so we may recommence our sittings. Before we begin the questioning of Mr. Atkinson and Mr. McCrorie, I wish to repeat what I said earlier this morning, that we have presenting their brief today and at the present time the National Farmers' Union of Canada, with Mr. Atkinson the president seated to my right, and to his right, Mr. McCrorie, the research director.

The next meeting of this committee will be on Thursday of this week, March 25, when there will be two delegations, one from the Canadian Manufacturers Association, and the other from the Branch Line Associations of Manitoba.

On Tuesday, March 30, we shall have three presentations, one from the Canadian Industrial Traffic League, Toronto, one from the Maritime Transportation Commission, Halifax, and one from the National Legislative Committee of the International Railway Brotherhoods, Ottawa.

The brief submitted by the National Farmers' Union of Canada was distributed at the noon hour to the office of each member who was not present this morning. Earlier this morning Mr. Atkinson read the brief, finishing at page 21. Then there was a motion to make the complete brief an appendix to be printed in today's proceedings. Therefore, we can begin the questioning of Mr. Atkinson now.

Mr. ATKINSON: Mr. Chairman, as we gave you to understand this morning, we were faced with a rapid fire job in completing the assignment. At the top of page 4 of our brief there is a typographical error. Where it says "the construction of the international", it should read "the construction of the intercolonial".

The VICE CHAIRMAN: That is on page 4. In the third line of the quote "international" should read "intercolonial".

Mr. ATKINSON: Yes, and on page 12 I read the wrong figure this morning. In the second paragraph the figure should read 1938. I believe I said 1933 this morning; but it should read "in 1938, parliament passed the Transport Act".

The VICE CHAIRMAN: Are there any questions? I am sure we must have some questions for Mr. Atkinson and Mr. McCrorie.

Mr. PASCOE: In your introduction you speak of presenting the views of the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers' Union, and so on. Did you have meetings with them?

Mr. ATKINSON: The brief is really an evolution over the years of the problem in consultation with the respective unions. In other words, it is a consensus.

Mr. PASCOE: You would say then that this represents the views of some 60,000 Canadian farm families?

Mr. ATKINSON: Yes, this is a consensus of their views.

Mr. PASCOE: That is all I have right now.

Mr. KORCHINSKI: Has this bill been discussed by the unions throughout the farm areas?

Mr. ATKINSON: Yes.

Mr. KORCHINSKI: It has been discussed at meetings.

Mr. MUIR (*Lisgar*): I notice that the brief does not touch specifically—unless like the Vice Chairman I read it a little too fast—on the subject of branch line abandonment itself, or on the question of branch line abandonment, either regionally or in a local sense. If this is primarily one of the interests of western farmers, I wonder why you did not go more fully into this part of the problem.

Mr. JAMES N. MCCRORIE (*Research Director of the National Farmers' Union of Canada*): If I may, Mr. Chairman, I would like to refer you to page 14 and the section entitled "Determining Need for Service". Here we outline what we consider to be the acceptable procedure for determining whether a service should be continued, or whether a service should be removed. But in regard to any specific question relating to rail line abandonment we have included in appendix B a re-examination critique of Bill No. C-120. I think our views are made forcibly there.

Mr. MUIR (*Lisgar*): You say appendix B?

Mr. MCCRORIE: Yes.

Mr. ATKINSON: It is actually a submission that we made to the provincial government of the province of Saskatchewan. But again these are our specific views and opinions in matters relating to Bill No. C-120.

Mr. MCCRORIE: Again I would refer you to page eight of appendix B.

Mr. ATKINSON: If I might enlarge on the answer given to Mr. Muir I would say that the question, as we understood it, that was to be considered before this committee was in addition to Bill No. C-120. In other words, the subject matter was referred to, and we believe that in order to arrive at a comprehensive national program, we must approach the whole question from a national point of view. Therefore, we have enunciated the principles upon which we believe a transportation policy ought to rest. It would include items such as rail line abandonment.

Mr. MUIR (*Lisgar*): In other words, you are looking at the broader aspects of transportation as a whole, rather than regionally.

Mr. ATKINSON: Well, it is included, but in the broad question.

Mr. MUIR (*Lisgar*): I was really disappointed that you had not brought out the views of the western farmers before the committee. As you know, and are quite well aware, the abandonment of any branch line, regardless of whether it is economic or not, is going to have a great effect on the people who live along that particular line. Now, I do not think there is anyone—including the farmers themselves—who wishes to see a line kept in operation which is not going to be justified for some reason. However, there are lines much of which are not economic, yet their continued operation is justified from the point of view of public interest. I was hoping representatives of farm groups that you would point this out. It is true that we have some farmers on the committee, but I think that the views of the farmers should be projected before the committee so that they may be understood by all members of the committee.

Mr. MCCRORIE: I would like to think that the hon. gentleman's disappointment is unfounded. First of all, we feel that the question of national transportation as a whole is far more important than specific branch lines; that is to say, whether a specific branch line should be or should not be in operation. But in regard to the operation or the removal of the operation of a specific branch line, I would again refer you to page eight of appendix B where we review the provisions of Bill No. C-120 as it now stands.

We note that the bill provides that the board of transport commissioners shall consider actual losses and such other factors as in its opinion are relevant. But the bill does not describe what these other things might be. As far

as you are ascertaining it the actual concrete criterion for provision of a branch line service or for the removal of a branch line service is whether or not a specific railway company enjoys a profit from a particular line or portion thereof, or whether it does not. We feel this single criterion is completely inadequate.

Mr. FORBES: This is the point I wish to bring out.

Mr. MCCRORIE: If I may continue, and go to page nine of the brief, the bill provides, as we read it, for piecemeal abandonment; it does not include what we might call a regional concept in terms of the provision of railway services. This we find to be completely inadequate. We might also add here that the bill provides for applications for subsidies or for abandonment on a particular line or portion thereof, and railroad companies are not required to apply the profits on so-called economic branch lines to so-called uneconomic branch lines. This is something we just cannot understand.

Mrs. RIDEOUT: Mr. Chairman, I would just like to clarify a point for my own information. I admit right off the bat that I could very well be wrong in assuming the following. It appears on page 13 of the brief where you say:

> We therefore recommend that this committee consider the establishment of a federal transportation authority, to harmonize, coordinate, plan and regulate transportation on a national basis, regardless of the mode.
>
> Such an authority should have similar powers to those presently held by the board of transport commissioners.

I am wondering what is your objection to the board of transport commissioners. Why do you suggest another body of people to regulate transportation? Does this not all come under the board of transport commissioners?

Mr. MCCRORIE: Our problem here is that we are not lawyers. As we interpret the function of the board of transport commissioners at the moment, it is that the board has jurisdiction over railroads in Canada. We do not quarrel with this. What we are suggesting is that other modes of transportation be brought under the regulatory powers of what is now known as the board.

Mrs. RIDEOUT: You are not suggesting another board besides the board of transport commissioners?

Mr. MCCRORIE: No.

Mr. RAPP: My question is similar to the one asked by Mrs. Rideout. What would be the purpose of abandoning the board of transport commissioners? Is it proposed only for periods when railway abandonment is conceded or is it suggested that the board of transport commissioners be replaced permanently? I am not familiar with it but in the three briefs that we have received so far there has been no suggestion that the board of transport commissioners should be replaced. Maybe there is a good reason for it. After reading the brief I was not quite clear in my mind what the National Farmers' Union had intended, particularly on page 18 where they say that the board of transport commissioners should be replaced or abandoned altogether.

Mr. ATKINSON: The function of the new authority would be to harmonize and rationalize the development and the operation of all modes of transport within Canada. If, for example, some new mode happened to come into being, it would come in under the jurisdiction of the new supra body, if you will.

Mr. RAPP: But you would suggest then that the board of transport commissioners be replaced permanently, not just for a period of time?

Mr. ATKINSON: That is right, and the new body's functions would be broadened.

Mr. RAPP: At the present time the board of transport commissioners have only jurisdiction over the railways; is that not right?

Mr. ATKINSON: Railways, canals, and that sort of thing.

Mr. RAPP: Thank you very much. I could not find the reason for that suggestion.

Mr. PRITTIE: My first question follows on the one which Mr. Rapp asked about the single federal transportation authority. You include trucking of course, do you not?

Mr. ATKINSON: Yes.

Mr. PRITTIE: Have you thought of the constitutional problems concerning intra and interprovincial trucking?

Mr. ATKINSON: As Mr. McCrorie says, we are not lawyers and therefore we have not concerned ourselves with this particular problem.

Mr. PRITTIE: It seems to me it is not too difficult to make a case for interprovincial trucking coming under federal authority, but you have this mode of transportation within a province.

Mr. MCCRORIE: The reference is to interprovincial trucking, not intra-provincial.

Mr. PRITTIE: The other question refers to what you say on page 16 concerning the financing service. You say:

> Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, in so far as is possible.

My question in general is: Do you feel that the two major railway companies should, in their accounting, comprise only their transportation problems or should the total picture be included, their other operations as well because they both have a great many auxiliary services, they own trucking companies, they own oil fields, in some cases hotel services and so on?

Mr. ATKINSON: Under the present circumstances and bearing in mind the fact that they operate as separate entities, we would suggest that these sources of revenue be considered as revenue to the corporate entity and as such ought to be used in determining whether or not profits are made.

Mr. PRITTIE: You would agree with the fact that they have many of these other services and assets but because of the fact they are a railway company they require them for their railway operation and they should therefore be included in the total picture?

Mr. MCCRORIE: The problem here also is that in the case of the Canadian Pacific Railway the management has said that it is not prepared to apply its profits in all its fields of operation to the railroad operation, or vice versa. Now what is the justification for this stand? When you dismiss and sift through all the rationales that are given, you come down to one basic consideration, that is "because we say so". We are taking the opposite point of view, that if the Canadian Pacific Railway is not prepared to apply all its profits from the variety of its operation to its railroad operation, then, fine, it should be nationalized.

Many of our members are extremely concerned with this particular point for the simple reason that they know, as so many people know, that the present position of the Canadian Pacific Railway is in large measure due to policies of the 19th century when the public of this country made available to the C.P.R. subsidies, land grants including mineral rights, and in part as a result of the government's policies the Canadian Pacific Railway now enjoy the position it does today.

Mr. PRITTIE: I will not argue with this. I think you are a voice crying in the wilderness, but probably at the moment only Mr. Cameron, Mr. Regan, Mr. Stewart and myself would agree with you. Last year I brought in a bill to try to get the C.P.R. just to come before the railway committee and answer a few questions, but the people opposed to it brought in a bill to nationalize it—it did not get very far.

I have a final question on your suggestion about the nationalization of the Canadian Pacific Railway. Are you just including its transportation facilities or do you mean the whole operation?

Mr. ATKINSON: We would include only its transportation facilities.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): To follow up on that last question of Mr. Prittie's—a question I was going to ask you your answer raises another question now. In an earlier section of your brief, on page 16, you suggest that annual deficits incurred in the provision of transportation services should be met by federal subsidies. Now you are opposing nationalization of the Canadian Pacific Railway and presumably you have in mind that it does, in some mysterious way, manage to cover its deficits with the taxpayers' money or would be expected to cover them with federal grants under your first statement here. Yet you tell us you are not prepared to include in your nationalization program the other extremely profitable operations of the Canadian Pacific Railway, the COMINCO operation, the Western Light and Power, the Canadian Pacific Steamship Services, and so on. All these are extremely profitable. You are going to exclude these from nationalization?

Mr. ATKINSON: I think that the steamship services ought to be involved in it. With respect to the others, we have to confine ourselves because we are dealing with the question of transportation in Canada.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Would you not agree these other properties, as Mr. Prittie suggested, grew out ancillary to the transportation operations of this company; that at one period considerable surpluses were invested in these properties?

Mr. ATKINSON: This is a matter of historical fact, as you know.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Do you think it would not be proper for you to include the rest of the Canadian Pacific Railway properties in your nationalization proposal?

Mr. ATKINSON: Quite frankly, we have not considered it.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): It does seem to me if you are going to take one bite of the cherry it might be as well to consume the whole fruit.

Mr. HAMILTON: I have two main lines of questioning.

The first concerns the liaison between the National Farmers' Union and the various organizations that are working on this railway legislation. Have you any contact with the work being done by the Saskatchewan wheat pool and the Manitoba wheat pool in the collection of statistics?

Mr. MCCRORIE: We have been working with the Saskatchewan wheat pool on this matter and there is an almost tacit unwritten understanding between the two organizations to the effect that, since the pool is a commercial organization and does employ on its staff an economist, we should leave some of the intricate details in regard to freight rates and the provisions of service to the pool. I imagine they will be handling that if they submit a brief to this committee.

Mr. HAMILTON: I take it, then, that you have not received the statistical information yet.

Mr. McCRORIE: We have received some of it, sir, but we have not seen fit to use it. It is not that we feel the information is inappropriate—we think it is—but rather that we feel it would be better for the wheat pool, which prepared the information, to use it in the context it felt was correct.

The second question—and these are leading questions to a degree, as you will recognize—is this: Have you established contact with the three prairie governments on the work they are preparing to present to this committee?

Mr. ATKINSON: The only contact we have had is with the province of Saskatchewan, and the presentation we made to that province is an appendix to the main submission. So, in a formal way, the answer is no.

Mr. HAMILTON: My third question is this: Your farmers' union does cover the province of Ontario?

Mr. ATKINSON: Yes.

Mr. HAMILTON: Has any contact been established yet with Ontario to see if they are going to take any part in making a presentation on behalf of the people of that province to this committee?

Mr. ATKINSON: So far as the National Farmers' Union is concerned the answer is no. We are unaware of what the Ontario farmers' union has done in this matter lately.

It is reported to me that we have heard a rumour to this effect, but we have heard nothing concrete.

Mr. HAMILTON: My second line of questioning has to do with appendix B. I want to ask a series of questions here concerning the actual bill that we have before us. I would like to draw your attention to page 6 of the bill and to read the operative parts of two or three of its sections. I will then ask for your opinion on them.

On page 6, dealing with the general subject of branch line abandonment, the relevant section is 314.

Section 314B states:

> Where a company intends to abandon a branch line otherwise than by application for abandonment under section 168, it may, in accordance with the rules and regulations of the Authority, file with the Authority an application to abandon such line.
>
> (2) Concurrently with the filing of its application to abandon a branch line the company shall also submit to the Authority a statement of the actual losses of the company attributable to the line in each of such number of consecutive financial years of the company as the Authority may prescribe . . .

And so on.

> Then subsection (3) states as follows:
>
> If the Authority is satisfied that the application to abandon a branch line has been filed in accordance with the rules and regulations of the Authority, the Authority shall transmit to the board—

That is the Transport Commissioners—

> —a copy of the application together with all pertinent documents, including the statement of the actual losses referred to in subsection (2), and as soon as may be thereafter the board shall—

Again, the Board of Transport Commissioners—

> —after investigation and whether or not it has afforded the company an opportunity to make further submissions, determine if the branch line is or is not uneconomic . . . the board shall report the same to the Authority and the report of the board shall constitute approval of the abandonment of the line.

I have read this slowly enough for you to get the implications of it. Do you approve of section 314B which sets up this rationalization authority? Is this sufficient power to carry out the principles of rationalization as we understand it?

Mr. McCRORIE: I do not think I caught the gist of it.

Mr. HAMILTON: Let me take it out of legal language and rephrase it.

Under section 314B you have a rationalization authority set up with its own power for collecting documents from railways showing actual losses. The minute they collect the documents, they have no power of decision; they must transfer the documents to the board of transport commissioners, and the board of transport commissioners, dealing with losses and such other information it may consider relevant, has to decide whether that section of the railway was working at a profit or a loss. If there were losses, then the board must report back to the authority, and this shall constitute approval for abandonment. In other words, the authority has no power to stop an abandonment.

This is my question: Do you approve of this type of section 314B?

Mr. McCRORIE: I would say in a general way that we do not. Perhaps I could document my reply. In the first place, in section 314B, subsection (2) reference is made to "the actual losses of the company attributable to the line in each of such number of consecutive financial years" et cetera. We also take it that it could mean an entire line or a portion thereof. Mr. Atkinson and I are not economists, but we did consult extensively with Professor Vernon Fowke of the University of Saskatchewan, who has spent a good deal of time examining the question of national transportation. He assures us that this question of determining actual losses is very misleading. We have been given to understand that railway companies informed the MacPherson royal commission that they had developed what they call a scientific method of cost accounting and that the MacPherson royal commission accepted this principle of scientific cost accounting.

Professor Fowke assures us that scientific cost accounting cannot take place unless you entertain a number of assumptions. One must assume, for example, that it costs X number of dollars to move one bushel of grain one rail mile. One makes a valid assumption. This is always a matter of opinion. What the railway company might consider to be a valid assumption the farmers may not consider to be valid, or the wheat pools may not consider it to be valid, or the government may not consider it to be valid, or the government may. So we question whether there is any real so-called scientific method of determining losses, and we think the question whether a line should be operated or whether it should not be operated depends for its reply upon whether there is a need for the operation of that line. The need cannot, we submit, be realistically assessed without reference to other modes of transport. I think members of the committee are aware of the fact that pipe lines are now proving both economical and efficient in the transportation of certain fluids over great distances. We refer in our brief to investigations carried out by the economic research council of Alberta. They have informed us that the possibility of transporting solids via pipe lines is now an engineering possibility but not yet an economic possibility. Now, I do not think it requires much stretch of the imagination to foresee the day when solids such as grain may be transported by pipe lines. It would be quite irrelevant whether a rail company was moving grain on a particular line at a so-called profit; it might be far better to transport that same grain via the pipe line. So, it comes down to a question of need. Is there a need for service, and what is the best mode for satisfying that need?

Mr. HAMILTON: You understand that we who are sitting in this committee have a responsibility to put into effect a statute that deals with the situation of today. What we are trying to ascertain from you is, first, whether you approve of this lack of power, which is obvious from the reading of this section. I think you must be aware that in western Canada, where there has been a great deal of discussion about rationalization, we understand it as taking in an area and looking at the area as a whole, with the rationalization authority having the power to direct or induce the railways to run the railways in that area, from a rational point of view. Am I correct in my assumption that, in general, you do not approve of this section as presently worded?

Mr. MCCRORIE: Before I answer that question I did get sidetracked and I would like to revert to a comment you made with regard to your responsibility to enact legislation. We do not envy you this job because we know it is a very difficult one. But, may I point out, and more since the end of the second world war, what happens today is very much influenced by what is going to happen tomorrow. As you know, technological and scientific changes are occurring at a very rapid rate, and the concerns of today can no longer be intelligently separated from the prospects of tomorrow. So, to make my point clear, I think you have to have some mechanism which enables you to show some concern for what the prospects might be tomorrow. You have to have some kind of flexibility in order to deal with it.

Now, to come back to the specific question as to the adequacy of the provisions in section 314B, our concern, in addition to what I have said, is, first, it provides for piecemeal abandonment which we feel is completely unacceptable and not a very useful way of dealing with this question. Second, the emphasis is on abandonment of services; we feel the emphasis should be on the provision of services and whether or not such services can be provided. It is a question of emphasis, and we feel the bill approaches this entire problem in a negative kind of way. To make it clear, we are in no way opposed to rail line abandonment. We feel there are many lines which should be abandoned simply because they are not needed. Also, we recognize that many of our own members from time to time in terms of local areas will make what might appear to outsiders to be unreasonable demands. We all know it was quite a problem to transport grain with horses ten miles in 1921. In 1961, with a truck, the problem is incomparable. So, we concede the point that the hauling of grain by trucks greater distances than is presently the case is not much of a problem in some cases. We are not opposed to rail line abandonment but we are in favour of the provision of adequate services, and we feel this provision in section 314B does not provide for that.

Mr. HAMILTON: Then, in other words you believe in the principle of rationalization being applied over a larger area than just a section of the line, to get this rational approach.

Mr. MCCRORIE: Yes.

Mr. ATKINSON: Mr. Chairman, if I may interject, we also have stated that the present form of Bill No. C-120 is totally unacceptable to us because it does not take into consideration the regional or national aspects of transportation requirements related to railways. It is sometimes rather difficult to communicate; it depends upon where you live, and this determine how you see the thing. If Bill No. C-120, in its present form, were to be introduced then, of course, there would be real hardship among the farming community, the business people in the community and among the municipalities as a result of this approach to rail rationalization.

Mr. MCCRORIE: We may be misreading the bill but, as we read it, we come to the conclusion that the rationalization authority is nothing more than, say, a glorified messenger boy. What is its function? As you yourself pointed out, it

seems to be collecting of information and passing it on to the board of transport commissioners, and it then receive the board's decision. Their only function is to determine the time at which the axe will fall.

Mr. ATKINSON: I would like to make another point at this time. In our presentation today we assumed that this committee is not going to confine itself to only the matters related to Bill No. C-120; we hoped this committee would be looking at the question from the point of view of national transportation requirements, of which this is a part, and any policy which is developed would be the result of meeting national goals.

Mr. HAMILTON: My final question has to do with an item on page 32. I know you realize what I am trying to do; I am trying to get a hard opinion on key sections. I am referring to section 387B and to what Mr. McCrorie mentioned are those attempts to find a scientific basis for cost analysis in this bill which we have before us. Section 387B says:

> (1) The board shall by regulation prescribe the items and factors that shall be relevant in the determination of variable costs for any of the purposes of this act.

This applies not only to branch line abandonments but to the Crowsnest pass rates, and it applies to the ordinary types of routes and so on. You raised the question of the opinion you received from Professor Vernon Fowke. I would like to remind the committee of the information in the third volume of the royal commission report on transportation. You will recall that the main item of dispute in the evidence before the royal commission was this question of cost analysis. After a great deal of discussion the railways went out and hired probably the best firm they could find, and this firm were experts on railway cost accounting. They studied the figures for the C.P.R. in the year 1958 and they came up with the conclusion that in that year the losses on the C.P.R. on one item alone, the hauling of western grain at the Crowsnest pass rates, was $17 million.

Mr. MCCRORIE: I think it was $70 million.

Mr. HAMILTON: No, $17 million for one railway in one year. Now, this so astounded the provincial government that they went out and hired the best cost accountant firm they could hire, who were also experts on railway cost accounting. These people studied the same set of figures and by putting the various items in different columns they came up with the information that the C.P.R. in 1958 made a profit of half a million dollars on the same set of figures. This meant that the royal commission, to resolve this business, had to hire another firm equally competent and they set the two studies before this third firm and they juggled them a little differently and came up with the fact that they thought the figure was a loss of $2 million in the year 1958. My question to the farmers' union is this: Here you have a section which does not say which of these cost accounting firms shall be used. Admittedly, as Professor Vernon Fowke says, the knowledge of cost accounting in railroads is a new science and every year it will change. Do you think that this section of the bill, 387B, is satisfactory as far as the parliament of Canada is concerned in directing the criterion to be used?

Mr. MCCRORIE: I do not know if you were trying to make a point or ask a question. However, I think we would agree with the point that you were trying to make.

Mr. HAMILTON: I need your evidence.

Mr. MCCRORIE:

> The board shall by regulation prescribe the items and factors that shall be relevant in the determination of variable costs for any of the purposes of this act.

It is a matter of judgment as to what items and factors it shall consider. You have pointed out that three studies were made and three answers were given to one single question. Our guess is that the board would accept a system of cost analysis which proved to be popular, as it were, and one which is equally acceptable.

Mr. HAMILTON: Did you say popular?

Mr. MCCRORIE: Popular and acceptable.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): By whom?

Mr. MCCRORIE: This is the point. Our suspicion would be that what constitutes a popular or legitimate system of cost analysis would be one held out by the railroad companies. Now, we are not saying it would be but we suspect that the weight would be in their favour. Again, this is why we recommended that total operation of a railroad be the basis for judging whether or not there is a deficit or whether there is a profit for a year's service. On the basis of the total operation one can then determine whether a subsidy is required or whether no subsidy is required.

Mr. HAMILTON: At this particular moment you would not accept the fact that you have three groups of experts each looking at the same set of costs. You would not worry about whether we accept the railway position; that is, the view of the railway experts, the position of the three western government experts or the position of the board of royal commission experts, but you would say, forget all of that and just look at the whole question of profit and loss?

Mr. MCCRORIE: Mind you, I think I misconstrued your question. Obviously, the total operation would involve the necessity of having a cost analysis. In terms of this point I think I would have to say—and perhaps Mr. Atkinson may not agree with me—that we do not know what the answer is. This is a very technical problem and I think we have to be honest and say we do not know.

Mr. HAMILTON: Then if you were in our position, trying to make laws, which of these three criteria would you pick and advise us to recommend in this legislation?

Mr. ATKINSON: I would answer that question by saying that the national authority ought to lay down the criterion upon which the judgment should be made.

Mr. HAMILTON: You do not think that parliament has any right to direct this?

Mr. ATKINSON: I think it should be the national authority.

Mr. HAMILTON: In those terms, when we have three sets of conflicting figures, which one should we pick?

Mr. ATKINSON: Obviously parliament makes the judgment.

Mr. RAPP: The one that had no loss.

The VICE CHAIRMAN: Are you through, Mr. Hamilton?

Mr. HAMILTON: Yes, thank you.

Mr. REGAN: I wonder if I might ask a number of questions. First of all, dealing with your question that the Canadian Pacific Railway be nationalized, I note on page 20 of your brief that you give four reasons why you would favour nationalization of that historic body. It seems to me that the first two would certainly be totally overcome by utilization of stronger regulations through the board of transport commissioners; that is, giving the board of transport commissioners greater authority to set regulations under which the Canadian Pacific Railway should operate. Do you not feel if that were done it would overcome the need for nationalization?

Mr. McCRORIE: No, I would say not. I think the four reasons have to be taken as a whole. I think the first two may appear to be somewhat dramatic. I think we should not overlook reasons three and four, namely that the existence of two national railway companies involves what we consider to be unnecessary duplication of track, physical plant, and resources; and, four, economies can be realized through the integration of the two railway systems and the operation of the integrated system with one line of management.

Mr. REGAN: You were not placing your case then primarily on number three and number four?

Mr. McCRORIE: I beg your pardon. It is not primarily on any one of them but on all four taken together.

Mr. REGAN: But you do grant that the first two could be overcome by providing more stringent regulations with respect to what the railways can do?

Mr. McCRORIE: I think we can say that is correct.

Mr. REGAN: With reference to number three and number four, would the position not be such, with historic service to many areas that have counted on railway service, that there would be very little track abandonment that could be realized by amalgamation? In regard to the economies, would they not be realized by having one management? Would this not be offset by the destruction of any form of competition which, in certain commodities and in certain areas, exists at present because of the fact that the two railways are competing for the same trade?

Mr. McCRORIE: What kind of competition?

Mr. REGAN: Does your question suggest that there is no competition between the two railways at the present time?

Mr. McCRORIE: I am not quite sure what you mean by the word "competition".

Mr. REGAN: By competition I mean the fact that the two railways are seeking the business of the producers and thus they tend to give better service than if there were only one rail line which would automatically do it all. In other words, all the general benefits of competition.

Mr. McCRORIE: Well, personally, I am always frightened by this word "competition" because I am never quite sure what it refers to.

Mr. REGAN: We have competition in every election.

Mr. McCRORIE: Let me, by way of example, refer to the new railroad passenger rates introduced some years ago by the Canadian National Railways, the red, white and blue fares. Now, although I cannot divulge the source, we have been told on good authority that when the C.N.R. was contemplating putting these fares into effect the management of the Canadian Pacific Railway used all of its powers of persuasion to deter the C.N.R. and it was only after a great deal of soul-searching that the management of the C.N.R. eventually decided to put the fares into effect on an experimental basis in the maritimes. I use this illustration to make a point. Competition of the kind of which I think you are speaking is the very thing that all business institutions try to get away from. In other words, competition is something you try to control; hence, the price fixing agreement; hence, the situation with Canada Packers; hence, the Canadian wheat board; hence, the development of co-operatives in the fishing areas in the maritimes. Therefore, we submit that the competition of which I think you are speaking is not going to guarantee better service; nor is it going to guarantee a better freight structure. We feel that under competent and sophisticated management one Canadian railway system would be a vast improvement over what we have now.

Mr. REGAN: You do not even accept the proposition that if there are two restaurants across the street in a small town this guarantees better service than if there were only one?

Mr. MCCRORIE: Our experience in Saskatchewan, as far as small towns are concerned, is to the effect that competition is very successful and very skilfully carried on.

We could cite a number of examples in support of this.

Mr. REGAN: I think I know what your views are on this subject. You have been quite fair, although I may not be entirely in agreement. Let me move on. From your brief I note that you suggest that all modes of transportation for moving goods in this country should be subject to the same type of control as the railways and that the federal authority, you advocate on pages 13 and 14, would have power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. So, from these words I conclude that as well as fixing the freight rates for railway service and not allowing the railways to determine the service, you would also fix the rates that interprovincial truckers would have for carrying any goods; you would advocate fixing the rate for a shipper on a canal or river, or even air services. Is that correct?

Mr. MCCRORIE: Yes.

Mr. REGAN: As outlined in your brief—

Mr. MCCRORIE: May I interrupt? When I suggest this is what we mean, I should also add I think we have stated in the brief that perhaps the most practical method of doing this is to permit the shippers themselves to declare what they consider to be fair and reasonable rates. What we are saying in effect is that the tariffs shall be filed with the authority which shall have the authority to say whether or not that rate goes into effect.

Mr. REGAN: The authority would have the power to change the rates. Often you would find situations where the shipper and the provider of the service would not see eye to eye with regard to the fair and reasonable rate?

Mr. MCCRORIE: Yes.

Mr. REGAN: Would you provide the same restrictions against abandonment of service to all truckers as you would to the railway lines?

Mr. MCCRORIE: Not against abandonment of service. I think we would prefer to put it the other way. The same principles would apply to any mode. The service is provided where neded, and the most suitable mode shall be the mode which is used.

Mr. REGAN: If there is an existing trucking service which does not agree with the federal authority with regard to what the rate shall be and therefore wants to discontinue its service, is it free to do so without authority of the board?

Mr. MCCRORIE: Yes; I would say it would be free to do so, but I think the authority, as we interpret it, should have the power to provide such service if the private company wishes to withdraw.

Mr. REGAN: Woul you allow a trucker to go into an area served by a railway?

Mr. MCCRORIE: If the authority thought it would be in the public interest to do so, the answer would be yes.

Mr. REGAN: In other words, you would leave it in the hands of the authority to decide whether a trucker could provide service duplicate to the railway. The trucker would not be free to decide that himself?

Mr. McCRORIE: Yes.

Mr. REGAN: You said earlier you thought he should. You are saying the trucker would not be free; is that correct?

Mr. McCRORIE: Yes.

Mr. ATKINSON: May I make a comment? There seems to be a trend developing in which railway companies now have moved into the trucking business. This seems to be a fairly significant development.

The VICE CHAIRMAN: Not seems to; it is.

Mr. REGAN: We are cognizant of that. Your suggestion is that you would not only regulate this, but also the truckers going across provincial boundaries, whether the man has one truck or 100 trucks.

Mr. McCRORIE: Yes.

Mr. REGAN: And you say he cannot provide the service in competition with the railway unless the federal authority says so, but the trucker can abandon the service without getting permission to do so.

Mr. McCRORIE: Let me put it this way. I do not think a trucker should be required to provide a service in which he cannot cover his costs of operation, without the right to expect some kind of a federal subsidy. Having had the opportunity of receiving a federal subsidy to cover the loss as a result of providing the service, if he feels he wishes to withdraw, we see no reason why he should not; but we are suggesting in this case it would be in the interests of the federal government, through, for example, the Canadian National Railways which is already in the trucking business, to apply that service to that area.

Mr. REGAN: If we are going to become too much involved in the business of trucking by regulation, do not the reasons you have given for nationalization of the Canadian Pacific Railway—to avoid duplicate service and to tie into the service provided by the C.N.R.—also apply to nationalization of the interprovincial trucking business.

Mr. McCRORIE: Yes. We would not recommend it at this time. We feel that members of parliament, and sometimes the public in general, change in a rather gradual and slow way; I am thinking of a change in attitude. We would prefer to give them a taste of good medicine drop by drop.

Mr. REGAN: I see. I think we find your views somewhat surprising. Let me ask one more question. What criteria would you use in determining whether a subsidy should be provided to a specific provider of service? Are you going to consider the regional considerations; are you going to determine this on the basis of the benefit to the economy of the nation as a whole, or that of a particular region? In general, how are you going to decide when a subsidized service should be provided?

Mr. McCRORIE: Obviously, there is a difference here between trucking and railway considerations as they now exist in Canada, for the simple reason that railways do operate coast to coast as you know, and trucking firms do not necessarily do so. Trucking companies in the areas in which they work tend to be regional at this time. I think your question is a technical one. The problem is whether the subsidy is on the region or the whole country. Quite frankly, I do not think we could answer that question at this time.

Mr. REGAN: Even in areas where truckers are in competition with the railroads, as they are, for instance, in the St. Lawrence ports from Ontario, you would not allow the truckers to set a different or lower rate than the railways; they would have a fixed rate and you would not allow freedom of rate making. There would be no competition between trucks and the trains.

Mr. McCRORIE: We could foresee the possibility of a difference in rate, depending upon the commodity. Certain commodities lend themselves to railway transportation; other commodities do not. There might be a difference, therefore, in the rate.

Mr. REGAN: The federal authority would decide which would go by truck and which by rail?

Mr. McCRORIE: Not necessarily, but by allowing the rate it would in effect make this kind of decision.

Mr. MACEWAN: Could you tell me how many persons would be on this federal authority to which you refer here?

Mr. ATKINSON: We have not concerned ourselves in terms of number of persons on the federal authority.

Mr. MACEWAN: Your federal authority would go into all the matters now under the jurisdiction of the board of transport commissioners, including construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the great lakes, and any other matter defined in the act. You would also include things under the air transport board which is given jurisdiction to regulate air transportation in Canada. In addition, you would include matters under the Canadian Maritime Commission having to do with the subventions for coastal steamships, and so on. All these matters would be dealt with by this federal authority. On page 13 you say:

> The obvious and glaring failure of the federal government, and, in the last analysis, parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting.

To place all these things under one authority with any number of people that are dealing with all these matters, and in a country the size of Canada, and having regard to the time element and the volume of applications, and the number to be dealt with, do you not think that the result would be a bit disconcerting?

Mr. McCRORIE: Why would you make this suggestion?

Mr. MACEWAN: I asked you this question. I mean that now they are separate. But if all these matters were to be brought together, we all know that these various things do take time, and that it takes time to make an application before the board of transport commissioners and so on, do you not think that the result would be disconcerting if these matters were to be dealt with under one body? Would it not make it rather hopeless?

Mr. McCRORIE: What you suggest in effect is that in a large bureaucracy, the board would be by your definition inept and incompetent.

Mr. MACEWAN: No. Do you not think that, having regard to the time element, it would make it almost impossible to get decisions in these various matters, and that it would take a very long time?

Mr. McCRORIE: No, far from it. I think our experience in North American administration, beyond a shadow of a doubt, has been that large bureaucracies with sophisticated and enlightened management can operate very effectively. Take for example General Motors. That is a gigantic corporation, but if you want a lesson in efficiency and economy and in enlightened management, just visit General Motors at Detroit.

Mr. MACEWAN: Do you not think that time is important, and that it could be dealt with much more efficiently not under one authority?

Mr. ATKINSON: I would say that it would be not only dealt with more efficiently, but we would also have a better utilization of our capital resources within the nation's transportation, and a better pattern of transportation development.

Mr. MACEWAN: You think this authority should be made responsible to the Minister of Transport and then let one minister deal with it.

Mr. ATKINSON: With respect to the question of where the authority ought to be that is responsible, we think it ought to be thrown on the responsibility of the Minister of Transport. Let me give you a hypothetical case. My parents were Irish. They came to Canada under the Department of Immigration. They liked potatoes. It seems to me that it would make as much sense to put potatoes under the minister of immigration as it would to put transportation under the Department of Agriculture, for example.

Mr. DEACHMAN: My question has been answered.

The VICE CHAIRMAN: I have Mr. Deachman, Mr. Stewart, and Mr. Kindt.

Mr. DEACHMAN: My question has already been answered.

Mr. STEWART: Mr. Chairman, as you know, I come from one of the maritime provinces and consequently some of the specific references in this brief are not ones which concern me except as a member of the House of Commons. But there is a suggestion that has emerged from the discussion this afternoon which I would like to follow up briefly.

I want to suggest to the gentlemen before the committee that in the maritime provinces we have been complaining about the effects of what we have been calling competition of rates in central Canada, and we have said that effective competition combined with certain other factors has destroyed the effectiveness of the Maritime Freight Rates Act of 1927. We are now told that in this field competition is a kind of illusory concept. My question is simply this. Are we to take you seriously?

Mr. ATKINSON: We would not appear before you unless we were serious. I would hope that you would take us seriously.

Mr. STEWART: In other words, the representations made to this committee this morning by the port of Halifax commission are really a figment of a distorted maritime imagination.

Mr. MCCRORIE: We would not say that until we had an opportunity to examine their brief in detail. We are not denying the existence of competition. We are going along with someone you have read about, Joseph Schunpeter, when he says that there is competition which appears in the form of new techniques, new developments, new means of transportation, new methods of organization; and that the price of competition per se is a kind of figment of the economist who write introductory text books on economics. All one has to do is to examine the record and examine the history of the development of corporations and one sees quite clearly that this is true. Of course there are some exceptions. There are exceptions to every rule.

Mr. STEWART: I think this demonstrates that when we have witnesses before this committee in future who use the term competition we are going to have to ask them for a rather sophisticated definition of the term.

Mr. MCCRORIE: We might ask Mr. Regan for his definition of the term.

Mr. KINDT: This primarily is a national planning approach with your fourth recommendation, and the creation of an agency under authority to assist in the determination of the need for services. What you have in mind there, and what you have already said, if I gathered it rightly, is not to place any reliance on the cost factor or figure, but to give it its additional term of

service or need. In other words, it might be conceivable that a branch line ought to be abandoned without having regard to any cost figures whatsoever. I think you are right, and I want to put that on record. I agree with you in this area about your cost figures. Your accountants have had plenty of experience in it; and from the experience which most of us have had, I am sure that such figures are unreliable. You just cannot tie in to them. You cannot break the thing down.

Take a business corporation which has from 10 to 12 departments. You have to have the over-all picture first, and then divide up your costs to find out what they are for each particular department. That is where you get into arbitraries. But the decision is finally made primarily on the basis of those who are most intimately connected with it, and who know about the business. Your railroads should be handled in the same way.

Mr. McCRORIE: Yes.

Mr. KINDT: Yes, primarily. There are some very fine things in your recommendations, but I do not agree with saddling the broad back of the big family —mostly in your number five recommendation—of the taxpayers of the nation with a thing that is not paying now.

Mr. PRITTIE: What is not paying now?

Mr. KINDT: The Canadian Pacific Railway. They claim that certain branch lines are not paying now, or they would not be in trouble getting a government subsidy.

Mr. ATKINSON: If I may be permitted to comment, we are now saddling the taxpayers, and we have been saddling the taxpayers of the nation for many years with the cost of the Canadian Pacific Railway. We think that the time has come when we should remove the Canadian Pacific Railway from the backs of the taxpayers. This may envisage some adjustment in resources, and this will envisage some resources. For example, I have a map here of Saskatchewan. If you take the Canadian National Railways and the Canadian Pacific Railway lines from Saskatoon to Edmonton you will find that in at least one spot, and probably in two, they run on the same roadbed. If this is not a waste of resources, then I do not know what is. On this question of competition it seems to me that in this situation you have duplication of facilities and services on both lines.

Mr. KINDT: This brings me to another question. Do you visualize that nationalization and national planning might of itself freeze and prevent the evolution of the transportation system such as we have it under freedom of enterprise?

Mr. ATKINSON: I think it was Winston Churchill who at one point said that in the development of a nation it is necessary to operate transportation facilities as a public utility. I think, contrary to making it more difficult to adjust the resource, that resource adjustment would be done with much greater ease and much more efficiency than is currently being done as the result of kidding ourselves that in this sense we are in a free enterprise economic climate.

Mr. McCRORIE: May I add to that? I think this point is well taken. I do not think there can be any dispute about the fact that if what some people refer to as free enterprise had been assigned the task of developing that rail network and system of canals which was necessary to bring about political confederation we would never have had confederation in this country because you simply do not get people in a capitalist economy to invest money in areas which are not going to bring a return. The vice-president of the Canadian Pacific Railway himself makes this point very clear. It is also very clear that in terms of our

own historical development transportation was necessary to achieve political goals even though the construction of those transportation facilities did not realize a return of the public expenditure and investment.

We are not quarrelling with capitalism, at least at this particular time. What we are saying is that the historical precedent set up in the 19th century and the function of transportation in a modern, changing and developing industrial economy are still the same and still hold true today.

Mr. KINDT: Is it your opinion then that society should come along to the railroad after its nationalization and bail out everybody that has put a dollar in there and that may still have an equity, or should you run them through the wringer like business does, set up a system which is, by evolution, just right to operate, and let competition do that? Should we follow that particular procedure or, as you are recommending here, say, "the railroads are a difficulty; many of the branch lines are going to go by the board, now will be the time to nationalize them"? Is it your purpose in nationalization to bail out the people that are in there now, or to give service to the people?

Mr. MCCRORIE: We are not advocating nationalization for nationalization's sake, but we submit that in the case of the railroads and perhaps ultimately in the case of the trucks or interprovincial trucking, nationalization will be the sensible and intelligent approach to providing Canada with an economic and efficient transportation network.

Mr. KINDT: I have one other question. You do not happen to be a member of parliament like the rest of us. Once you get this under some national organization and you start abandoning a line, think of the pressures that will be brought to bear, think of the length of time that this line will be kept in service when it should have been abandoned years ago. In other words, this will be a perpetuation of inefficiency.

Mr. ATKINSON: Might I comment on this? I think you raised a very important point, the pressure that can develop as a result of nationalization. It is our opinion that if the proper information can be obtained through the introduction of an agency which would be an information agency based on the socio-economics of the situation of a particular industry in a particular community and would determine whether or not it is economically feasible or economically justifiable to abandon a railway line, if you take this information back to the community and give to that community the black and white picture, then of course this pressure will be released. You can shake your head and say no, but the fact is that up until this point in time we really have not presented this kind of information to the community in an organized way and in a manner in which it might understand it.

Mr. MCCRORIE: Maybe I could add to this and refer to the Canadian wheat board which has been established now for some years. It too was a government marketing agency. We are not saying that political pressure has not been brought to bear recently; we know, as a matter of fact, it has. We also know that politicians have laid claims to some of the successes which the Canadian wheat board has enjoyed in recent years. However, I wish to draw your attention to the fact that owing to its integrity the wheat board has been able to withstand these kinds of pressures and controversies. It still functions as effectively as it has before. As a matter of fact, we know of no politicians from any political parties who have been to our conventions in recent years who received a standing ovation. Farmers are not prone to showing their emotions, as you may know, but Mr. MacNamara, the chairman of the wheat board, did receive such a standing ovation when he appeared at our convention two years ago. I think it shows the very high regard which the agricultural community in the west has for the chief commissioner and his colleagues.

Therefore, what we are saying is that we would not deny the possibility that there can be political pressures brought to bear. What we do suggest is that it is not impossible to create a climate in which an authority of this kind could function.

Mr. KINDT: I would not agree with you about the wheat board, and I might say that I have helped to set up the wheat board and to organize it; I have helped in the creation of the pools. What you say about the wheat board being an organization which has met the approval of the farmers of western Canada is perfectly true. They would not do without them for anything. However, to say that that is synonymous with an organization that might now be set up to abandon railroads and to integrate all of these transportation systems is a different thing.

Mr. MCCRORIE: We are not saying it is the same thing; we are saying it could be synonymous.

Mr. WATSON: I have a supplementary question to ask. I wonder if you feel that the Canadian National Railway is run more efficiently than the Canadian Pacific Railway; that Air Canada is run more efficiently than Canadian Pacific Airlines and that the large trucking concerns that are actually owned by the railway companies are more efficient than the big independent trucking lines.

Mr. MCCRORIE: In regard to the passenger service of the Canadian National Railway there can be no doubt that in recent years it has offered a far superior service to that offered by the Canadian Pacific Railway.

Mr. WATSON (*Assiniboia*): Did you say that the C.N.R. was more efficient than the C.P.R.?

The CHAIRMAN: The C.N.R. is more efficient in its passenger service than the C.P.R.

Mr. MCCRORIE: Yes. I have never had the opportunity of flying on a Canadian Pacific Airlines plane so I cannot comment on it but I have had no complaints with Air Canada.

Mr. WATSON (*Assiniboia*): I am not speaking of flying on them but of their efficiency.

Mr. MCCRORIE: Surely it is the ultimate acid test of efficiency whether or not the customer is satisfied.

Mr. WATSON (*Assiniboia*): No, it is not proof of the dollars and cents that come in. You could get into anybody's car and have a good ride but it is the man driving the car who has to consider whether he is making more money or not.

Mr. MCCRORIE: What is the relevancy of the question of efficiency if it does not apply to the consumer?

Mr. WATSON (*Assiniboia*): The reason I am asking this is that if you want to nationalize the Canadian Pacific Railway you must have reached the conclusion that the Canadian National Railway is more efficient dollar-wise.

Mr. MCCRORIE: I do not follow you.

Mr. ATKINSON: It is not a question of which one is more or less efficient, it is a question of the utilization of resources that are available and that are being used in Canada for the purpose of transportation. We feel that bringing it under one administration and thereby removing the duplication of facilities and services would create a much more efficient unit of transportation than we presently have. It would be easier for adjustments to take place within the transportation field.

Mr. WATSON (*Assiniboia*): This all boils down to the efficiency to eventually do away with subsidies and make it self-supporting.

Mr. ATKINSON: We would hope so. We would hope this would be the case in large measure.

Mr. MCCRORIE: If Canadian National Railways are not efficiently run, then surely there is a question we would like to put to you: Why is it not efficiently run? You are ultimately responsible for the operation of Canadian National Railways. If Canadian National Railways are not efficiently run, the members of the public would want to know why it is not.

Mr. WATSON (*Assiniboia*): I think we all would.

Mr. MCCRORIE: If you do not have the power to see that Canadian National Railways are efficiently run, then who does?

The VICE CHAIRMAN: It is getting close to 5.30, gentlemen. I still have Mr. Millar on my list of those members wishing to put questions. The witnesses have to be relieved by 5.30 p.m.

Mr. MILLAR: My question is to Mr. Atkinson and it is in connection with rail line abandonment and presentation of such information to the community concerned.

Mr. ATKINSON: Would you rephrase your question?

Mr. MILLAR: I wish to ask a question in connection with the presentation of information to a community where there is about to be a rail line abandonment.

Mr. ATKINSON: Yes.

Mr. MILLAR: Do you not think the public hearings that are now held in each case—and they are going on daily—provide the necessary information to the community concerned, and the opportunity for the representatives of that community to express their views?

Mr. ATKINSON: The answer to your question is that with the present method, the hearing is based on too narrow an area to obtain a proper assessment of the socio-economic implication of rail line abandonment within a region. In other words, we are dealing with a very small area, and our point is that if we are to deal with it, then we must deal with it on the basis of the total area affected.

Mr. MILLAR: My reason for asking this question is that in my experience when a small railroad serving a small community is to be cut off, all the merchants and the residents of that community will appear at the hearing and object to the line being closed, but when one asks them how they travel, the answer is that they use their own automobiles. When one asks them how their merchandise is handled, they say, "Oh, well, we ship and receive by truck." They can raise all kinds of objections why the line cannot be closed, but they do not use it.

Mr. MCCRORIE: Are you asking whether we agree that this situation exists? This is why we have suggested there should be another component added here to public hearings. We think public hearings can be abused, but ultimately we think they are of service both to the authority and to the community. In addition, we think there should be an agency, the specific functions of which are investigative. In other words, it would be staffed with economists, transportation economists, sociologists, and what have you. Their function would be to complement the services presently held by public hearings, and they would undertake regional and even national studies, which would be continually revised and updated. These studies, in turn, would provide in part a basis for the authority arriving at some kind of rational and intelligent decision.

Mr. MILLAR: In a short answer, could you explain the difference between the function of this authority which you propose and the function which is now taken care of by the board of transport commissioners?

Mr. MCCRORIE: It would be taking one of the present functions of the board of transport commissioners and putting it in a separate agency.

Mr. FORBES: May I ask a supplementary question?

A few minutes ago you made reference to nationalizing the Canadian Pacific Railway in order to "take them off the backs" of the Canadian taxpayer. What difference is there between having Canadian Pacific Railway on the backs of the taxpayer and having Canadian National Railways on their backs?

Mr. MCCRORIE: We have given four reasons why we think the Canadian Pacific Railway should be nationalized. We submit these four reasons must be considered as a whole.

The VICE CHAIRMAN: They are contained in the brief, Mr. Forbes.

Mr. FORBES: I did not understand that you had qualified it.

The VICE CHAIRMAN: If there are no further questions, I wish to thank Mr. Atkinson and Mr. McCrorie for being here all day. This has been one of the most stimulating briefs which has been presented, and members have taken a great deal of interest in it. I want to thank you, Mr. Atkinson and Mr. McCrorie, for attending here.

I would like to bring to the attention of members of the committee that the committee will meet on Thursday morning at 9.30 in room 308 in the west block, to hear a brief from the Canadian Manufacturers Association and from the Branch Line Association of Manitoba, and at 3.30 in this room, 253D.

Mr. STEWART: I move adjournment, Mr. Chairman.

The VICE CHAIRMAN: I have a motion for adjournment from Mr. Stewart, seconded by Mr. Kindt.

Motion agreed to.

The committee adjourned.

APPENDIX "D"

THE PORT OF HALIFAX COMMISSION
10 Duke Street, Halifax

Brief to the Standing Committee of the House of Commons
on Railways, Canals and Telegraph Lines
to which has been referred

Bill C-120

"An act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act"

MARCH, 1965

The Chairman and Members
Standing Committee of the House of Commons
on Railways, Canals and Telegraph Lines

Honourable Members,

Unless it is amended, Bill C-120 would inevitably increase the transportation disabilities and disadvantages of the Atlantic Provinces.

It would turn the nation's back on pronouncements and obligations given at Confederation.

It would aggravate our region's disabilities in domestic transportation; make the national government the instrument of additional attrition of the benefits intended by the Maritimes Freight Rate Act; alter port/rail rates to the further disadvantage of the Atlantic Provinces; discriminate against the predominantly small shippers of our region; and cause a grave threat to the future of the Port of Halifax.

The Port of Halifax Commission consequently values the opportunity to place before you, for your urgent and earnest consideration, representations and recommendations in these matters.

* * * *

"I don't hesitate to say with respect to the Intercolonial Railway, it is understood by the people of Canada that it can only be built as a means of political union for the Colonies. It cannot be denied that the Railway, as a commercial enterprise, would be of comparatively little commercial advantage to the people of Canada.

"Whilst we have the St. Lawrence in Summer, and the American ports in the time of peace, we have all that is requisite for our purposes. We recognize, however, the fact that peace may not always exist, and that we must have some other means of outlet if we do not wish to be cut off from the ocean for some months in the year. We wish to feel greater security—to know that we can have assistance readily in the hour of danger.

"In the case of a union, this Railway must be a national work, and Canada will cheerfully contribute to the utmost extent to make that important link without which no political connection can be complete.

"What will be the consequence to this City, prosperous as it is, from that communication? Montreal is at this moment competing with New York for the trade of the great West. Build the road and Halifax will soon become one of the great emporiums of the world."

. . . . John A. MacDonald

"I have heard since I have been in Halifax, the objection thrown out that there is much danger that you would be absorbed. It will be very easy for me to dispel such fears.

"I answer them by a question: Have you any objections to be absorbed by commerce? Halifax through the Intercolonial Road will be the recipient of trade which now benefits Portland, Boston and New York. If you are unwilling to do all in your power to bring to a satisfactory consummation this great question, you will force us to send all this trade which you ought to have through American channels. Will the people of Nova Scotia or New Brunswick be better off because they are not absorbed by commerce or prosperity?

"It is as evident as the sun shines at noon that when the Intercolonial Railway is built—and it must necessarily be built if that confederation takes place—the consequence will be that between Halifax and Liverpool there will be steamers almost daily leaving and arriving at the former—in fact it will be a ferry between Halifax and Liverpool. (Cheers)."

. . . . Georges Etienne Cartier

From the "phonographic report" of the Dinner given in honour of Colonial Delegates at Halifax, September 12th, 1864, in the "British Colonist" newspaper, September 15th, 1864.

Even before Confederation, our region was very much alive to the promise of railways. It was seen that railways would improve our communications and open up our own hinterland for development. Many of our people were confident that railways would open markets for coal, fish and manufacturers in the Canadas, and draw the expanding commerce of the interior to our seaports. For almost the first time we began to feel the pull of the continent at our backs.

For upwards of 20 years before Confederation, we tried to secure the building of a railway to connect Canada with our winter ports. But projects for the Intercolonial road had always collapsed. It was not attractive to private capital. Governments in the colonies were not able to agree on the terms on which it should be built as a joint project. They did, however, build pieces of railway, designed to fit into larger schemes but insufficient to give the external connections they desired. By the time of Confederation, 379 miles of railway had been built.

On the eve of Confederation, our region, with a mature and prosperous economy, was beginning to feel the pressures of a revolution in transportation. Having debated whether the promise of an intercolonial railway was worth the risks and the obligations of political union with Canada, it was decided to enter the Union.

> "The Intercolonial Railway was completed in 1876, and it would appear from the evidence we have received that from then until 1912 the interests of the Maritime provinces were fairly well safeguarded, the freight rate structure being such as to take into account the requirements of their traffic. The lower level of rates that prevailed on the Intercolonial Railways system prior to 1912 is, in our view, rightly to be interpreted as the fulfillment by successive governments of the policy and pledges that surrounded the railway from its inception, whatever impressions may have been created by the form of its administration." (Royal Commission on Maritime Claims, 1926)

"While a detailed analysis of the early rate structure of the Intercolonial Railway might be desirable, it is doubtful whether this would serve to clarify significantly the main policy considerations in regard to the rates on the line. It is sufficient to note that the actual rates on the Intercolonial were based on the rates on other railways in Canada, but they were generally lower as a direct result of government policy in regard to the operation of the line". (Submission to the Royal Commission on Transportation by the Maritimes Transportation Commission, 1961, p. 7)

About 1912, the Intercolonial began to increase its freight rates relative to other Canadian railways. The program is described in the submission by the Maritimes Transportation Commission to the Royal Commission on Transportation (1960):

Numerous other instances could be cited to show how rates on the Intercolonial were increased during this period (i.e. 1912 to 1923), some by over 200%, and where special rates were cancelled and higher rates substituted contrary to the rate policy of the line prior to 1912. This "levelling-up" process was completed in 1923 when the Intercolonial became part of the Canadian National Railways System and thus subject to the jurisdiction of the Board of Railway Commissioners. At this time, rates on the Intercolonial had reached the level of those in Ontario-Quebec and their intended lower basis had completely disappeared.

The Royal Commission on Maritime Claims (Duncan Commission) 1926, had this to say about the increased freight rates:

We have come very definitely to the conclusion that the rate structure as it has been altered since 1912 has placed upon the trade and commerce of the Maritime Provinces (*a*) a burden which, as we have read the pronouncements and obligations undertaken at Confederation, it was never intended it should bear, and (*b*) a burden which is, in fact, responsible in a very considerable measure for depressing abnormally in the Maritimes today business and enterprise which had originated and developed before 1912 on the basis and faith of the rate structure as it then stood.

The findings and recommendations of the Duncan Commission led to the Maritimes Freight Rate Act which conferred "certain statutory advantages" in rail rates on the Maritimes. In practice, these statutory advantages provided for reduction of 20% in all freight rates within "select territory" (approximately the Maritime Provinces) and 20% reduction in the select territory portion of the haul from points within it to Canadian points west of it.

The basis of the 20% reduction is significant:

for our present purpose, it is more material to notice that the President of Canadian National Railways admitted in evidence, that in administering the Atlantic Division (the greater portion of which is the old Intercolonial system) no account is being taken in the rate structure of today of the special considerations which attach to it as revealed in the pledges and pronouncements already referred to. We feel that the increas arising from the changes that have taken place in the freight rates in 1912—over and above the general increase that has taken place in other parts of the National system—is as fair a measure as can be made of these special considerations, and accordingly should be transferred from the Maritimes to the Dominion so that the original intention may be observed. We recommend, therefore, an immediate reduction of 20% . . . . (Duncan Commission)

Section 6 of the Maritimes Freight Rate Act provided that the rates so reduced were to be considered statutory rates and as such "not based on any principle of fair return to the Railway for the service rendered in the carriage of the traffic". Section 8 of the Act provided that the federal government should pay to the railway the difference between the normal and reduced rates.

Over the years, there was a fairly constant attrition, largely caused by various horizontal freight rates increases, of the benefits of the Maritimes Freight Rate Act. The Preliminary Report of the Royal Commission on Canada's Economic Prospects, 1956, acknowledged that "the transportation facilities of the Atlantic region are in need of improvements". In its Final Report, the Commission went even further: It recommended "a re-examination of the present effects of the Maritimes Freight Rate Act".

In the course of his Budget Speech of March 14th, 1957, the then Minister of Finance responded to the Royal Commission's findings:

> There is one matter on which it is possible to act immediately. I refer to the special difficulties of the Atlantic Provinces caused by the various horizontal increases in railway freight rates over the last decade. These increases have fallen rather more heavily on the traffic moving from the Atlantic region to central Canada than on rail movements within the central provinces. As a consequence the competitive position of Maritimes products in the Montreal area and points west has been adversely affected.
>
> A study of the average increase in freight rates since 1947 on this traffic, as compared with the increase in the rest of Canada, shows that an increase in the subvention paid under the Maritimes Freight Rate Act is justified. That is, an increase in the subvention from its present 20% level to a level of 30% in the case of outbound traffic will restore these rates to the position they occupied in relation to other Canadian rates at the end of World War II.

What is the situation today? How effective is the Maritimes Freight Rate Act, as amended, without Bill C-120? Differentials in favour of non-Maritimes shippers have increased with commodity after commodity.

In its present form, Bill C-120 would surely aggravate this situation. We take particular exception to Section 334 of the Bill. It will be well to quote this proposed section:

> 334. (1) Except as otherwise provided by this Act all freight rates shall be compensatory; and the Board (of Transport Commissioners) may require the company issuing a freight tariff to furnish to the Board at the time of filing the tariff or at any time, any information required by the Board to establish that the rates contained in the tariff are compensatory.
>
> (2) A freight rate shall be deemed to be compensatory when it exceeds the variable cost of the movement of the traffic concerned as determined by the Board.
>
> (4) The Board may disallow any freight rate that after investigation the Board determines is not compensatory.

The Board's interest, so long as a railway monopoly does not exist in the carriage of any particular item, would thus be only to assure that the rate is compensatory. In effect, the Board would control minimum rates but maximum rates would be limited only by competition. Truck competition with the railways between the Atlantic Provinces and the rest of Canada is much weaker than it is, say, between Quebec and Ontario. It follows that the railways

would be enabled to charge increasingly higher rates between Atlantic and central Canadian points than between one central Canadian point and another.

And could the railways not arbitrarily declare, if Bill C-120 were to pass in its present form, any or all of the existing rates between the Atlantic Provinces and central Canadian destination to be non-compensatory, and then bring into play the covenient statutory obligation in Section 334 to increase them?

What then is the position as regards domestic freight rates in the Atlantic region and between the Atlantic and central Canada region?

The Maritimes Freight Rate Act was supposed to secure "certain statutory advantages" to Maritimes' shippers. These advantages are in substance the percentage difference in favour of Maritime shippers that existed before 1912 between the general level of rates on the Intercolonial system and the general level of rates "in other parts of the National system". This relationship was confirmed and re-established by the Maritimes Freight Rate Act of 1927, and was thought to have been re-established in 1957 when by implication the principle of a favourable differential in rail rates in "select territory" and from "select territory" to central Canada as compared with rates between central Canadian points, was reaffirmed.

But not only has this differential favouring Maritimes' shippers disappeared; in many cases the differential now substantially favours central Canadian shippers. Not only have Maritimes shippers lost those "certain statutory advantages" that were to have given them access to central Canadian markets, but many non-Maritimes competing products now move to the central markets with a substantial freight rate differential in their favour.

On top of this situation, it is now proposed to place Bill C-120.

Bill C-120 could only result in freight rate increases. The railways could be expected to increase their rates most sharply where their competition is weakest and to apply lesser and fewer increases where their competition is strongest.

The Atlantic region could thus expect relatively rapid and substantial rate increases, while in central Canada, where the general level of railway rates is already lower than in the Atlantic region, rate increases would be less substantial and less frequent.

Bill C-120 would also be harmful to Maritime import and export rail rates. These are of great importance to the Maritimes' economy by reason of the major contribution made to it by steamship and export and import movement through the ports of Halifax and Saint John. The value of services rendered to steamships and cargo at the port of Halifax alone approximates $20,000,000 a year. If the cost of moving central Canadian cargoes to and from Halifax and Saint John were to exceed the cost to and from United States ports in winter, cargo could be expected to divert to American ports. Longshoremen, freight handlers, customs brokers, shipping agents, and railway employees themselves in the Atlantic Provinces would be adversely affected.

Export and import rail rates to all ports (United States east coast as well as Canadian) are now governed by an agreed "port parity rate structure", which ensures that, irrespective of distance from a common point of origin to two or more ports, the export rate will be the same or nearly so as between various ports. Halifax and Saint John are thus provided an opportunity of attracting cargoes despite their relative distance from points of origin.

The Maritimes Freight Rate Act, whatever its worth in ameliorating domestic rail problems in the Atlantic region, does not apply to import and export rail rates other than to a very few export rates for goods originating in "select territory", which would not in any event come within the port parity rate structure.

Bill C-120 could mean the diversion in winter of large tonnages through-traffic from Canadian to United States ports with corresponding loss of employment and business at Halifax and Saint John. As a guide to the gravity of our concern, the Port of Halifax now handles some 800,000 tons of through-cargo a year, with an estimated value to the local economy, for labour and services, of at least $12 a ton.

In thus placing a brief outline of its principal objections to Bill C-120 in its present form before you, the Port of Halifax Commission iterates its long-standing position that whenever and whatever measures are required to secure for the Atlantic region the constantly competitive freight rates pledged to it at Confederation and by subsequent statutes and Royal Commission studies, the cost of such measures should be borne by the federal treasury and not by the railways.

Indeed, in view of the fact that the Royal Commission on Transportation, while recognizing the problems, made no specific recommendations to alleviate the transportation difficulties of the Atlantic region, which the Port of Halifax considers could only be aggravated by Bill C-120 in its present form, we earnestly ask that your Standing Committee recommend:

1. That a Royal Commission be appointed to investigate the whole field of transportation in the Atlantic region and between the Atlantic region and central Canada, the terms of reference of such a Commission to include:

(*a*) an evaluation of the claims of the region in the field of transportation;

(*b*) equalization of Atlantic region users' costs with transportation costs in other regions of Canada; and

(*c*) the present effectiveness of the Maritimes Freight Rate Act;

2. That Bill C-120 in its present form, be set aside pending the undertaking and completion of such Royal Commission study; or, alternatively that, pending such study, the Atlantic Provinces of Canada be excluded from the provisions of the Bill; and

3. That there be periodical reviews of Atlantic region transportation at intervals not greater than 10 years with a view to adjustments necessary to sustain the region's competitive transportation position.

J. Wm. E. Mingo,
Chairman.

Exhibit I

APPENDIX "E"

EXHIBIT PREPARED FOR STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

Subject: Comparison of Rail Traffic Moving Under Different Rate Classifications

Contents

	Page No.
Comparison of Traffic by Number of Carloads	
Maritime Region to Maritime Region	962
Maritime Region to Eastern Region	963
Maritime Region to Western Region	964
Eastern Region to Maritime Region	965
Eastern Region to Eastern Region	966
Eastern Region to Western Region	967
Western Region to Maritime Region	968
Western Region to Eastern Region	969
Western Region to Western Region	970
Comparison of Traffic By Revenue	
Maritime Region to Maritime Region	971
Maritime Region to Eastern Region	972
Maritime Region to Western Region	973
Eastern Region to Maritime Region	974
Eastern Region to Eastern Region	975
Eastern Region to Western Region	976
Western Region to Maritime Region	977
Western Region to Eastern Region	978
Western Region to Western Region	979
Explanation and Analysis	980

Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 1

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
MARITIME REGION EASTERN REGION	MARITIME REGION WESTERN REGION	1949	82	4.3	1,631	86.5	166	8.8	8	0.4	—	—	1,887
		1951	93	4.4	1,604	78.2	345	16.8	13	0.6	—	—	2,055
		1952	91	3.3	2,255	81.0	413	14.9	23	0.8	—	—	2,782
		1953	107	4.2	2,039	79.3	411	15.9	15	0.6	—	—	2,572
		1954	82	2.8	2,076	71.8	719	25.0	11	0.4	—	—	2,888
		1955	69	2.9	1,693	70.3	622	25.8	24	1.0	—	—	2,408
		1956	60	3.1	1,302	66.8	555	28.5	31	1.6	—	—	1,948
		1957	74	3.8	1,192	62.0	618	32.1	41	2.1	—	—	1,925
		1958	66	3.6	1,024	56.2	673	36.8	62	3.4	—	—	1,825
		1959	75	4.5	895	53.4	484	28.9	222	13.2	—	—	1,676
		1960	74	3.6	1,131	54.3	488	23.5	388	18.6	—	—	2,081
		1961	75	3.9	1,028	52.9	476	24.6	361	18.6	—	—	1,940
		1962	52	2.5	1,143	56.3	434	21.2	407	20.0	—	—	2,036
		1963	62	3.0	1,047	51.2	490	23.8	454	22.0	—	—	2,053

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
MARITIME REGION	EASTERN REGION	1949	116	11.8	792	80.7	74	7.5	—	—	—	—	982
		1951	143	14.2	791	78.7	71	7.1	1	—	—	—	1,006
		1952	86	11.8	596	81.4	50	6.8	—	—	—	—	732
		1953	73	10.0	586	80.1	69	9.4	4	0.5	—	—	732
		1954	74	10.6	436	62.4	182	26.1	6	0.9	—	—	698
		1955	46	7.3	388	62.0	160	25.6	32	5.1	—	—	626
		1956	68	7.9	572	66.6	164	19.1	55	6.4	—	—	859
		1957	37	5.6	401	60.7	88	13.3	135	20.4	—	—	661
		1958	83	12.1	364	52.9	93	13.5	148	21.5	—	—	688
		1959	36	5.3	346	50.7	110	16.2	189	27.8	—	—	681
		1960	29	4.5	314	48.7	103	16.0	199	30.8	—	—	645
		1961	39	6.2	282	44.7	110	17.5	199	31.6	—	—	630
		1962	42	6.0	301	43.2	114	16.4	240	34.4	—	—	697
		1963	24	3.1	323	42.5	129	17.0	285	37.4	—	—	761

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 3

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
MARITIME REGION	WESTERN REGION	1949	13	56.6	7	30.4	3	13.0	—	—	—	—	23
		1951	13	61.9	1	4.8	7	33.3	—	—	—	—	21
		1952	15	71.4	5	23.8	1	4.8	—	—	—	—	21
		1953	13	81.3	3	18.7	—	—	—	—	—	—	16
		1954	8	61.5	4	30.8	1	7.7	—	—	—	—	13
		1955	7	77.8	2	22.2	—	—	—	—	—	—	9
		1956	7	41.2	10	58.8	—	—	—	—	—	—	17
		1957	3	27.2	7	63.7	—	—	1	9.1	—	—	11
		1958	1	20.0	3	60.0	1	20.0	—	—	—	—	5
		1959	3	21.4	7	50.0	—	—	4	28.6	—	—	14
		1960	2	40.0	1	20.0	—	—	2	40.0	—	—	5
		1961	4	25.0	6	37.5	1	6.2	5	31.3	—	—	16
		1962	—	—	1	20.0	—	—	4	80.0	—	—	5
		1963	3	25.0	5	41.7	1	8.3	3	25.0	—	—	12

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
EASTERN REGION	MARITIME REGION	1949	384	38.3	416	41.4	193	19.3	10	1.0	—	—	1,003
		1951	368	41.2	515	57.7	6	0.7	4	0.4	—	—	893
		1952	371	45.7	402	49.4	35	4.3	5	0.6	—	—	813
		1953	348	49.0	323	45.5	36	5.1	3	0.4	—	—	710
		1954	275	30.4	562	62.0	63	6.9	6	0.7	—	—	906
		1955	178	20.2	546	61.9	155	17.6	3	0.3	—	—	882
		1956	240	23.9	524	52.3	225	22.5	13	1.3	—	—	1,002
		1957	278	30.4	439	48.1	180	19.7	17	1.8	—	—	914
		1958	240	29.8	385	47.8	149	18.5	31	3.9	—	—	805
		1959	199	29.5	237	35.1	178	26.4	61	9.0	—	—	675
		1960	178	22.6	318	40.2	207	26.2	87	11.0	—	—	790
		1961	189	17.8	542	51.0	242	22.8	90	8.4	—	—	1,063
		1962	143	16.6	378	43.9	221	25.6	120	13.9	—	—	862
		1963	189	15.8	568	47.6	228	19.1	210	17.5	—	—	1,195

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 5

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
EASTERN REGION	EASTERN REGION	1949	894	9.2	6,043	62.2	1,796	18.5	973	10.1	—	—	9,706
		1951	745	9.1	5,209	63.0	1,318	15.9	992	12.0	—	—	8,264
		1952	726	7.3	6,138	61.8	1,802	18.2	1,262	12.7	—	—	9,928
		1953	462	5.3	4,984	57.5	1,952	22.5	1,280	14.7	—	—	8,678
		1954	354	4.2	4,685	56.6	2,200	26.5	1,047	12.7	—	—	8,286
		1955	325	3.7	3,796	43.7	3,730	42.8	850	9.8	—	—	8,701
		1956	338	3.7	3,980	43.7	3,625	39.9	1,160	12.7	—	—	9,103
		1957	341	4.0	3,635	42.9	3,293	38.9	1,202	14.2	—	—	8,471
		1958	257	3.1	3,194	39.2	3,241	39.8	1,460	17.9	—	—	8,152
		1959	184	2.4	2,893	37.4	2,989	38.8	1,657	21.4	—	—	7,723
		1960	156	2.1	2,672	35.2	2,884	38.0	1,873	24.7	—	—	7,585
		1961	132	1.7	2,475	31.5	3,058	38.9	2,184	27.9	—	—	7,849
		1962	176	2.3	2,152	27.5	3,200	40.9	2,289	29.3	—	—	7,817
		1963	105	1.3	1,995	24.3	3,258	39.6	2,850	34.8	—	—	8,208

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
EASTERN REGION	WESTERN REGION	1949	666	71.5	220	23.6	46	4.9	—	—	—	—	932
		1951	632	73.2	75	8.7	157	18.1	—	—	—	—	864
		1952	604	66.4	134	14.7	172	18.9	—	—	—	—	910
		1953	496	49.1	112	11.1	371	36.7	32	3.1	—	—	1,011
		1954	355	49.1	133	18.4	179	24.8	56	7.7	—	—	723
		1955	250	34.2	128	17.5	110	15.1	242	33.2	—	—	730
		1956	291	31.9	173	18.9	163	17.9	286	31.3	—	—	913
		1957	212	24.1	187	21.3	139	15.8	341	38.8	—	—	879
		1958	184	25.1	155	21.1	111	15.1	284	38.7	—	—	734
		1959	194	25.6	120	15.8	132	17.4	312	41.2	—	—	758
		1960	112	16.2	182	26.4	79	11.4	317	46.0	—	—	690
		1961	93	13.5	185	26.9	90	13.1	319	46.5	—	—	687
		1962	61	8.6	197	27.8	87	12.3	363	51.3	—	—	708
		1963	59	8.9	203	30.6	101	15.1	302	45.4	—	—	665

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 7

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
WESTERN REGION	MARITIME REGION	1949	4	3.8	70	66.7	31	29.5	—	—	—	—	105
		1951	1	1.1	73	80.1	12	13.2	—	—	5	5.6	92
		1952	2	3.7	47	87.0	3	5.6	—	—	2	3.7	54
		1953	3	5.0	53	88.4	2	3.3	—	—	2	3.3	60
		1954	—	—	66	88.0	6	8.0	1	1.3	2	2.7	75
		1955	1	2.0	42	85.8	6	32.2	—	—	—	—	49
		1956	3	7.7	18	46.1	17	43.6	1	2.6	—	—	39
		1957	2	1.2	136	81.4	15	9.0	1	0.6	13	7.8	167
		1958	3	8.8	20	58.8	11	32.4	—	—	—	—	34
		1959	2	1.8	84	75.7	17	15.3	3	2.7	5	4.5	111
		1960	2	3.8	25	48.1	23	44.3	2	3.8	—	—	52
		1961	2	2.5	49	61.3	26	32.5	1	1.2	2	2.5	80
		1962	2	2.4	60	73.2	19	23.2	1	1.2	—	—	82
		1963	1	2.0	30	58.7	18	35.4	2	3.9	—	—	51

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
WESTERN REGION	EASTERN REGION	1949	65	7.2	672	74.7	163	18.1	—	—	—	—	900
		1951	38	7.6	427	85.6	19	3.9	—	—	14	2.9	498
		1952	18	3.1	521	89.7	26	4.5	—	—	16	2.7	581
		1953	20	3.3	508	85.1	62	10.4	—	—	7	1.2	597
		1954	12	1.7	487	70.0	175	25.2	6	0.9	15	2.2	695
		1955	22	4.2	302	57.2	183	34.6	11	2.1	10	1.9	528
		1956	32	4.4	379	52.2	275	47.7	10	1.4	31	4.3	727
		1957	36	4.9	415	57.2	252	34.5	12	1.6	13	1.8	728
		1958	24	3.7	336	52.2	263	40.8	7	1.1	14	2.2	644
		1959	20	5.1	137	34.6	217	54.7	20	5.1	2	0.5	396
		1960	4	0.8	159	32.2	293	59.5	31	6.3	6	1.2	493
		1961	14	2.4	187	31.7	357	60.5	32	5.4	—	—	590
		1962	5	0.8	254	40.1	331	52.2	42	6.6	2	0.3	634
		1963	4	0.7	235	43.7	261	48.4	39	7.2	—	—	539

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY CARLOAD OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 9

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	No. of Carloads	% of Total	
WESTERN REGION	WESTERN REGION	1949	644	6.5	8,628	87.3	379	3.8	239	2.4	—	—	9,890
		1951	378	5.5	3,779	55.5	409	6.0	191	2.8	2,062	30.2	6,819
		1952	474	4.6	4,712	46.5	540	5.3	411	4.1	3,999	39.5	10,136
		1953	362	3.8	3,482	36.6	683	7.2	599	6.3	4,391	46.1	9,517
		1954	241	3.1	3,512	45.2	756	9.7	703	9.1	2,555	32.9	7,767
		1955	386	5.7	2,874	42.7	837	12.4	643	9.5	1,994	29.7	6,734
		1956	419	4.6	3,620	39.4	1,121	12.2	893	9.7	3,129	34.1	9,182
		1957	381	5.1	2,784	36.9	918	12.2	893	11.8	2,572	34.0	7,548
		1958	414	6.0	2,350	34.1	791	11.5	938	13.6	2,400	34.8	6,893
		1959	280	4.3	2,424	37.6	955	14.8	803	12.5	1,982	30.8	6,444
		1960	151	2.3	1,971	30.0	1,155	17.6	948	14.4	2,342	35.7	6,567
		1961	136	1.9	2,276	31.2	1,057	14.5	1,037	14.2	2,783	38.2	7,289
		1962	91	1.4	1,659	25.9	1,051	16.4	1,143	17.8	2,466	38.5	6,410
		1963	106	1.4	1,615	21.2	1,287	16.8	1,642	21.6	2,973	39.0	7,623

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
MARITIME REGION	MARITIME REGION	1949	11,903	9.3	102,837	80.3	12,739	9.9	692	0.5	—	—	128,171
		1951	10,974	8.1	98,525	72.5	25,317	18.6	1,086	0.8	—	—	135,902
		1952	18,021	8.7	145,354	70.3	41,405	20.1	1,963	0.9	—	—	206,743
		1953	18,433	8.9	142,713	69.0	43,877	21.2	1,665	0.9	—	—	206,688
		1954	15,706	6.9	148,438	65.3	62,147	27.3	1,145	0.5	—	—	227,436
		1955	24,830	11.8	133,517	63.4	50,149	23.8	2,153	1.0	—	—	210,649
		1956	27,041	12.2	130,872	59.2	60,077	27.2	3,151	1.4	—	—	221,141
		1957	25,134	10.9	138,601	59.8	63,981	27.6	3,975	1.7	—	—	231,691
		1958	19,967	9.6	116,729	55.9	64,361	30.8	7,829	3.7	—	—	208,886
		1959	25,754	11.5	118,972	53.2	58,086	26.0	20,679	9.3	—	—	223,491
		1960	28,079	12.3	111,549	48.9	56,834	24.9	31,821	13.9	—	—	228,283
		1961	25,798	12.3	103,588	49.4	49,437	23.5	31,154	14.8	—	—	209,977
		1962	16,044	7.8	109,733	53.5	48,739	23.7	30,798	15.0	—	—	205,314
		1963	21,281	9.4	105,783	46.4	60,197	26.4	40,446	17.8	—	—	227,707

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949-1963

EXHIBIT I
PAGE 11

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
MARITIME REGION	EASTERN REGION	1949	32,422	14.5	172,495	77.3	18,295	8.2	—	—	—	—	223,212
		1951	51,984	21.5	169,870	70.4	19,581	8.1	95	—	—	—	241,530
		1952	37,978	18.3	155,272	74.8	14,488	6.9	—	—	—	—	207,738
		1953	27,733	13.1	164,106	77.5	19,792	9.3	359	0.1	—	—	211,990
		1954	26,299	13.1	122,606	60.9	50,690	25.2	1,544	0.8	—	—	201,139
		1955	13,618	7.8	107,146	61.5	44,538	25.6	8,892	5.1	—	—	174,194
		1956	24,348	9.9	162,508	65.8	43,459	17.6	16,408	6.7	—	—	246,723
		1957	14,663	7.3	122,759	61.4	23,875	11.9	38,705	19.4	—	—	200,002
		1958	23,907	11.9	109,844	54.5	28,252	14.0	39,592	19.6	—	—	201,595
		1959	12,665	5.5	126,042	55.0	39,063	17.0	51,564	22.5	—	—	229,334
		1960	10,346	4.9	101,120	48.1	37,551	17.8	61,265	29.2	—	—	210,282
		1961	12,752	6.1	94,545	44.9	39,695	18.9	63,222	30.1	—	—	210,214
		1962	12,978	5.5	102,098	43.2	41,239	17.4	79,985	33.9	—	—	236,300
		1963	9,296	3.4	120,490	45.0	43,847	16.4	94,261	35.2	—	—	267,894

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949-1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
MARITIME REGION	WESTERN REGION	1949	7,299	50.7	3,695	25.8	3,370	23.5	—	—	—	—	14,364
		1951	8,133	48.8	998	6.0	7,533	45.2	—	—	—	—	16,664
		1952	17,793	74.8	4,423	18.6	1,575	6.6	—	—	—	—	23,791
		1953	14,678	82.5	3,101	17.5	—	—	—	—	—	—	17,779
		1954	10,043	68.0	3,518	23.8	1,203	8.2	—	—	—	—	14,764
		1955	6,008	66.4	3,034	33.6	—	—	—	—	—	—	9,042
		1956	11,693	59.0	7,264	36.7	849	4.3	—	—	—	—	19,806
		1957	3,945	29.7	7,371	55.3	—	—	2,004	15.0	—	—	13,320
		1958	1,219	11.9	7,134	69.1	1,962	19.0	—	—	—	—	10,315
		1959	3,691	24.2	6,936	45.3	—	—	4,657	30.5	—	—	15,284
		1960	3,317	56.4	908	15.4	—	—	1,658	28.2	—	—	5,883
		1961	5,553	29.6	5,780	30.8	986	5.2	6,457	34.4	—	—	18,776
		1962	—	—	1,492	28.4	—	—	3,765	71.6	—	—	5,257
		1963	2,712	22.6	5,770	48.1	1,293	10.8	2,222	18.5	—	—	11,997

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949-1963

EXHIBIT I
PAGE 13

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
EASTERN REGION	MARITIME REGION	1949	91,288	36.4	116,566	46.4	42,001	16.7	1,204	0.5	—	—	251,059
		1951	93,932	35.3	170,575	64.0	1,571	0.6	348	0.1	—	—	266,426
		1952	115,193	44.6	140,918	54.5	1,764	0.7	584	0.2	—	—	258,459
		1953	134,398	50.0	125,824	46.8	8,145	3.0	457	0.2	—	—	268,824
		1954	97,008	30.8	195,122	62.0	21,568	6.9	653	0.3	—	—	314,351
		1955	69,414	25.1	165,552	59.7	41,871	15.1	169	0.1	—	—	277,006
		1956	95,415	27.3	184,980	52.9	66,449	19.0	3,037	0.8	—	—	349,881
		1957	119,946	34.0	169,168	48.0	58,362	16.5	5,365	1.5	—	—	352,841
		1958	98,421	31.0	156,552	49.3	53,929	17.0	8,445	2.7	—	—	317,347
		1959	93,824	30.1	128,670	41.2	71,325	22.9	18,118	5.8	—	—	311,937
		1960	83,867	24.2	146,254	42.1	87,570	24.1	33,452	9.6	—	—	347,143
		1961	88,113	20.1	210,249	47.9	97,128	22.2	43,045	9.8	—	—	438,535
		1962	72,935	19.6	147,984	39.6	88,029	23.6	64,107	17.2	—	—	373,055
		1963	95,266	16.7	246,154	44.4	89,715	15.9	133,039	23.0	—	—	564,174

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
EASTERN REGION	EASTERN REGION	1949	198,419	16.4	709,726	58.8	219,890	18.2	79,715	6.6	—	—	1,207,750
		1951	189,841	16.3	726,976	62.3	154,736	13.3	94,434	8.1	—	—	1,165,987
		1952	208,589	13.4	1,005,456	64.4	220,846	14.3	122,019	7.9	—	—	1,556,910
		1953	147,207	10.4	935,647	65.8	231,742	16.3	107,098	7.5	—	—	1,421,704
		1954	119,571	8.2	957,207	65.3	294,033	20.0	95,577	6.5	—	—	1,466,388
		1955	92,577	7.3	732,792	57.4	364,784	28.7	83,782	6.6	—	—	1,273,935
		1956	113,227	6.8	837,844	50.5	563,814	34.0	143,125	8.7	—	—	1,658,010
		1957	119,789	7.8	736,530	47.7	526,017	34.1	161,119	10.4	—	—	1,543,455
		1958	88,450	6.1	583,471	40.2	553,929	38.2	224,083	15.5	—	—	1,450,653
		1959	71,656	4.7	545,685	36.1	598,547	39.6	296,745	19.6	—	—	1,512,633
		1960	51,854	3.7	461,291	33.4	537,993	38.9	331,258	24.0	—	—	1,382,296
		1961	57,660	4.0	405,000	28.3	563,416	39.4	404,448	28.3	—	—	1,430,524
		1962	67,389	4.5	390,160	26.1	597,932	40.1	436,889	29.3	—	—	1,492,370
		1963	31,020	1.9	400,755	24.7	651,795	40.2	538,525	33.2	—	—	1,622,095

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949-1963

EXHIBIT I
PAGE 15

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
EASTERN REGION	WESTERN REGION	1949	404,390	69.0	125,407	21.4	55,936	9.6	—	—	—	—	585,733
		1951	466,247	66.2	75,216	10.7	163,183	23.1	—	—	—	—	704,646
		1952	512,077	60.6	175,502	20.8	157,220	18.6	—	—	—	—	844,799
		1953	494,799	50.9	135,197	13.9	310,150	31.9	32,374	3.3	—	—	972,520
		1954	390,099	48.9	167,778	21.6	175,552	22.6	53,801	6.9	—	—	777,230
		1955	244,049	33.8	143,637	19.9	132,754	18.4	201,599	27.9	—	—	722,039
		1956	312,204	32.0	209,870	21.5	198,313	20.3	255,050	26.2	—	—	975,437
		1957	241,364	24.1	257,391	25.7	184,577	18.5	316,235	31.7	—	—	999,567
		1958	193,702	24.3	180,456	22.7	140,794	17.7	281,194	35.3	—	—	796,146
		1959	220,266	24.6	156,490	17.5	214,451	24.0	302,800	33.9	—	—	894,007
		1960	120,061	16.2	212,944	28.8	115,964	15.5	293,443	39.5	—	—	742,412
		1961	100,583	13.0	250,261	32.4	118,132	15.3	304,354	39.3	—	—	773,330
		1962	96,754	11.9	256,238	31.5	108,172	13.3	351,941	43.3	—	—	813,105
		1963	62,622	8.1	226,797	29.3	149,099	19.3	335,340	43.3	—	—	773,858

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
WESTERN REGION	MARITIME REGION	1949	2,742	5.2	33,753	64.4	15,912	30.4	—	—	—	—	52,407
		1951	118	0.2	36,873	78.0	8,207	17.3	—	—	2,093	4.5	47,291
		1952	1,265	4.2	25,167	80.0	3,726	11.9	—	—	1,229	3.9	31,387
		1953	2,164	5.5	35,291	89.7	1,325	3.3	—	—	593	1.5	39,373
		1954	—	—	40,356	88.3	2,274	5.0	1,935	4.2	1,124	2.5	45,689
		1955	1,683	5.4	22,935	72.9	6,608	21.0	—	—	218	0.7	31,444
		1956	2,324	4.9	27,883	58.3	14,989	31.4	1,378	2.9	1,176	2.5	47,750
		1957	1,887	2.8	46,398	70.2	14,742	22.3	2,082	3.2	957	1.5	66,066
		1958	1,424	2.6	40,139	72.5	11,613	21.0	163	0.3	1,987	3.6	55,326
		1959	2,699	4.3	36,271	58.7	16,029	25.8	5,114	8.2	1,884	3.0	61,997
		1960	1,603	3.6	16,146	35.9	24,114	53.5	2,730	6.1	414	0.9	45,007
		1961	1,384	2.4	32,475	55.8	21,379	36.7	1,944	3.3	1,053	1.8	58,235
		1962	5,795	7.8	47,814	64.2	19,343	26.0	1,177	1.5	415	0.5	74,544
		1963	706	1.2	32,621	57.5	20,787	36.6	2,700	4.7	—	—	56,814

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa. Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

EXHIBIT I
PAGE 17

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
WESTERN REGION	EASTERN REGION	1949	34,643	7.6	346,633	75.6	77,337	16.8	—	—	—	—	458,613
		1951	28,816	10.2	233,566	82.6	17,109	6.1	—	—	3,145	1.1	282,636
		1952	11,281	3.2	306,910	78.2	27,956	7.9	—	—	5,609	1.7	351,756
		1953	18,131	4.4	316,206	77.4	72,101	17.6	—	—	2,305	0.6	408,743
		1954	11,088	3.4	284,404	87.8	15,057	4.7	6,906	2.1	6,324	2.0	323,779
		1955	14,553	3.8	194,496	50.4	161,157	41.8	11,265	2.9	4,138	1.1	385,789
		1956	17,476	3.1	276,559	49.5	248,948	44.5	12,170	2.2	4,083	0.7	559,236
		1957	26,653	4.4	311,460	51.7	241,361	40.1	14,863	2.5	7,944	1.3	602,281
		1958	16,976	3.1	243,139	45.0	267,588	49.5	5,631	1.0	7,412	1.4	540,746
		1959	11,690	2.8	162,081	38.3	221,952	52.4	24,609	5.8	3,210	0.7	423,542
		1960	10,109	2.4	133,466	31.8	249,604	59.6	22,850	5.5	3,061	0.7	419,090
		1961	10,696	2.3	144,253	30.5	287,878	61.0	28,459	6.0	845	0.2	472,131
		1962	4,806	0.9	214,970	39.7	281,288	52.0	39,663	7.3	713	0.1	541,440
		1963	3,174	0.6	251,397	47.1	240,092	45.0	39,178	7.3	—	—	533,841

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Raid Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

COMPARISON BY REVENUE OF CARLOAD RAIL TRAFFIC
MOVING UNDER DIFFERENT RATE CLASSIFICATIONS
1949–1963

From	To	Year	Class Rates		Non-Competitive Commodity Rates		Competitive Commodity Rates		Agreed Charges		Statutory Grain Rates		Total
			Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	Revenue	% of Total	
			$		$		$		$		$		$
WESTERN REGION	WESTERN REGION	1949	199,901	10.9	1,575,659	86.0	26,689	1.5	30,613	1.6	—	—	1,832,862
		1951	148,045	11.3	694,445	53.2	35,098	2.7	24,823	1.9	402,686	30.9	1,305,097
		1952	216,574	10.1	948,905	44.2	42,593	2.0	70,550	3.3	867,364	40.4	2,145,986
		1953	168,642	7.7	860,172	39.1	72,690	3.3	113,137	5.1	984,490	44.8	2,199,131
		1954	114,438	6.6	813,211	47.0	105,106	6.1	151,171	8.7	544,698	31.6	1,728,624
		1955	145,958	9.9	623,812	42.3	144,543	9.8	139,482	9.5	421,927	28.5	1,475,722
		1956	158,473	7.9	810,256	40.3	151,126	7.5	192,961	9.6	698,680	34.7	2,011,496
		1957	166,443	8.8	776,497	41.2	158,193	8.4	197,144	10.5	585,894	31.1	1,884,171
		1958	137,870	7.9	696,143	39.9	158,511	9.1	193,977	11.1	557,585	32.0	1,744,086
		1959	103,061	6.2	667,223	39.9	271,937	16.3	168,820	10.1	461,780	27.5	1,672,821
		1960	73,581	4.3	575,257	33.9	306,716	18.0	193,277	11.4	550,424	32.4	1,699,255
		1961	62,972	3.5	633,710	35.0	242,773	13.4	207,792	11.5	663,330	36.6	1,810,577
		1962	47,521	2.9	498,570	30.6	280,291	17.2	220,389	13.5	582,776	35.8	1,629,547
		1963	70,693	3.6	548,802	28.1	321,681	16.5	301,008	15.4	707,692	36.4	1,949,876

SOURCE: Board of Transport Commissioners, "Waybill Analysis, Carload All-Rail Traffic": Queen's Printer, Ottawa.
Department of Transport, March 8, 1965.

Exhibit I
Page 19

Explanation and Analysis of Data Contained in Exhibit I

Exhibit I shows the amount of all carload rail traffic moving between Canadian points under various rate classifications from 1949 to 1963. Pages 1 to 9 show traffic in carloads; pages 10 to 18 show the corresponding revenues earned by the railways. The information is grouped on a region to region basis with the country divided into three regions, Maritime, Eastern and Western. The Maritime Region consists of the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland, and that portion of the Province of Quebec east of Levis and Diamond, P.Q. The Eastern Region extends westward from Levis, Diamond and Boundary, P.Q., to Port Arthur and Armstrong, Ontario. The Western Region consists of all lines west of Port Arthur and Armstrong, (except Yukon).

The source of the data is the "Waybill Analysis, Car-load All Rail Traffic", a publication of the Board of Transport Commissioners. It should be carefully noted that the data is for a 1% sampling of movements. The sampling procedure is described in the publication referred to.

The railway rate classifications are broken down into five major groups: class rates, non-competitive commodity rates, competitive commodity rates, agreed charges and statutory grain rates. Generally speaking, rates which have been classified in the competitive commodity and agreed charge groups are those which one way or another have been set to meet competition; rates which are included in the class rates and non-competitive commodity rate groups have not been set to meet competition; statutory grain rates are Crow's Nest Pass Rates.

Rates set by statute or under the stress of competition tend to be lower than other rates. From a shipper point of view therefore a trend away from the non-competitive rates to the competitive or statutory rate groupings is to be welcomed. Comparisons have been made on both a carload basis and a revenue basis.

Analysis of Maritime Rates

In looking at traffic moving wholly within the Maritime Region (page 1) it is noted that traffic moving at class rates has been and is a small portion of the total; since 1949 there has been a strong trend away from the non-competitive commodity rates to competitive commodity rates and agreed charges. As can be noted traffic moving under the latter has risen from 0.4% of the total to 22% in 1963. This would tend to indicate that the truck has proven an increasingly more effective competitor to the railways, even though it does not share in subsidies under the Maritime Freight Rates Act.

Exhibit I
Page 20

In Maritime to Eastern Region traffic (page 2), there has been a sharp decline in the percentage of traffic moving under the non-competitive rate groups and a corresponding increase in the volume of traffic moving under the agreed charge and competitive commodity rate groups.

The volume of traffic moving from the Maritime Region to the Western Region is small and under the 1% sampling procedure in the Waybill Analysis the results are sometimes misleading. Even taking this into account, some swinging away from the non-competitive to the competitive rates for this traffic can be noted on page 3.

Analysis of Eastern Region Traffic

The Eastern to Maritime Region traffic (page 4) is characterized by a large drop-off in the percentage moving under class rates and a large increase in traffic moving under agreed charges.

The effect of pervasive truck competition in the Eastern Region can be noted in page 5 showing traffic moving under the various rate groups in the Eastern Region. As can be seen there has been an extremely large reduction in the volume of traffic moving under the class and non-competitive commodity rates and a corresponding sharp increase in the volume of traffic moving under competitive commodity and agreed charge rates.

Eastern to Western Region traffic (page 6) is characterized by a large reduction in class rated movements and a sharp increase in the volume of traffic moving under agreed charges. It can be noted that nearly one-half of all traffic moving to Western Canada from Central Canada (Eastern Region) now moves under agreed charges.

Analysis of Western Region Traffic

The volume of traffic moving from Western Canada to the Maritime Region is low and as can be noted from page 7, little traffic moves under class rates or agreed charges.

For traffic moving between the Western and Eastern Region (page 8) it can be noted that there has been a large increase in the proportion of the traffic moving under competitve commodity rates with a corresponding decline in class rated and non-competitive commodity rate movements.

For traffic moving wholly within the Western Region (page 9) a trend away from non-competitive commodity rates to competitive commodity rates and agreed charges can be clearly noted.

Comparison of Revenues

Pages 10 to 18 contrast the revenues earned from traffic moving under the various rate classifications. Although differences in the percentages from those found in the carload comparison can be found in any one year, the same general trends over time are to be noted.

Exhibit I
Page 21

Summary

Trends apparent in this exhibit would seem to confirm the contention of the Royal Commission as to the growth in the extent and pervasiveness of trucking competition to the railways. Although it can be concluded that the Eastern Region benefits from competition to a greater degree than either the Western or Maritime Regions, the extent of the competition in these latter areas should not be underrated. The general trend is toward a more competitive rate structure.

Department of Transport
March 8, 1965.

EXHIBIT II

EXHIBIT PREPARED FOR THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

Subject: Comparison of Present Railway Subsidies and Railway Subsidies Under Bill C-120 (Thousands of Dollars)

PRESENT RAILWAY SUBSIDIES		RAILWAY SUBSIDIES UNDER BILL C-120	1st year	2nd year	3rd year	4th year	5th year
Interim Payments	$ 50,000	Passenger Service Subsidy[1]	$ 62,000	$ 49,600	$ 37,200	$ 24,800	$ 12,400
Freight Rates Reduction Act	20,000	Branch Line Subsidy[2]	13,000	13,000	13,000	13,000	13,000
East-West Bridge Subsidy	7,000	Crow's Nest Grain Subsidy[3]	22,300	22,300	22,300	22,300	22,300
Maritime Freight Rates Act	14,844	Atlantic and Eastern Ports Grain Subsidy[4]	1,200	1,200	1,200	1,200	1,200
		Maritime Freight Rates Act[5]	14,844	14,890	14,950	15,000	15,100
	$ 91,844		$ 113,344	$ 100,990	$ 88,650	$ 76,300	$ 64,000

[1] Maximum amounts payable to the two major railways are shown. Claims by other railways are expected to be minor.
[2] Maximum amounts payable are shown.
[3] Assumes losses by railways equal to that found by Royal Commission for 1958.
[4] Estimate based on 1962 and 1963 data.
[5] Yearly increases are based on estimated traffic increases in Maritimes area.

Department of Transport,
March 8, 1965.

Exhibit III
Page 1

EXHIBIT PREPARED FOR THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

Subject: Explanation and Justification of the Maximum Rate Formula

The Royal Commission's proposal for a maximum rate was to apply the variable cost of the shipment of 30,000 pounds weight plus 150% of that variable cost. There are two factors in this formula which require comment, first the 30,000 pound key weight and second the 150% formula.

30,000 Pound Key Weight.

The Commission's comment on this matter was as follows:

> The necessity of regulatory control arises because of the lack of alternative carriers. In the past when and where significant rail monopoly has been eroded, the truck has usually been the instrument effecting it. In almost every remaining case of significant monopoly, the alternate carrier would be the truck. Thus the key weight upon which is its reasonable to base a maximum rate is the weight of the unit load the competing carrier could use to give his optimum rate. We propose that the carload weight upon which rail variable costs shall be determined for purposes of maximum rate control be 30,000 pounds in standard railway equipment.
>
> Two considerations support this qualified 30,000 pound key weight. First, if the commodity loads lighter than 30,000 pounds in standard railway equipment, it is probably an expensive commodity to handle on a weight, if not a cubic, basis. Secondly, if the commodity is heavy loading but is shipped in small quantities up to only 30,000 pounds, it is in effect an L.C.L. movement, which again has a very high cost per pound. In either case we found that there was little dissatisfaction with rates on the part of shippers who fall into these categories, and such dissatisfaction as there is stands to be alleviated by the forces of competition before long. (See Report, Vol II, p. 100).

150% Formula

On the 150% formula the Commission had this to say:

> The cost structure of the railways, with their relatively high proportion of fixed to variable costs must be reflected in maximum rates. The equitable contribution allowed by maximum rates should not be less than 150% of long-run variable costs. This percentage above variable costs, applied to types of traffic captive to rails under the mechanism set out in the next section, would not be detrimental to railway revenues at the present time. We recommend therefore that a maximum rate be the variable costs appropriate to the movement as defined by the Board of Transport Commissioners, plus 150% of that variable cost. This we conclude is a reasonable share of the burden of fixed costs which traffic, designated captive under the criteria set out below, shall bear. (See Report, Vol. II, p. 102).

In view of the fact that variable costs per ton decrease with an increase in the carload weight of the shipment, the question might be asked why the Commission did not simply propose that the formula be applied to the actual carload weight in each case. The Commission very carefully adhered to the 30,000 key weight and the present Bill likewise provides for no departure from this basis of calculating variable costs for maximum rate

purposes. The basic reason for this approach lies in a fundamental characteristic of railway rates which requires more detailed explanation.

Exhibit III
Page 2

It is a well known fact that the railway rate structure consists of a vast number of rates covering different commodities having different characteristics thus different levels of rates may apply to different commodities for identical movements. These rate differences are not solely accounted for by cost but by a combination of cost and other considerations equally valid in the determination of rates. Among such characteristics are the value of the commodity, its weight-volume relationship, susceptibility to damage, requirements of special equipment or handling methods, etc. For convenience the sum of such characistics is referred to as "value of service" factors in what follows.

The Royal Commission rightly pointed out that the so-called value of service principle used by the railways has been heavily eroded by the effects of competition. The more severe the competition, the more closely the rates must be set to actual costs of movement to the extent that these can be ascertained. The carrier must know to what level it can safely cut rates to gain traffic but yet obtain some net return. The Royal Commission concentrated its attention on the impact of competition on the traditional rate structure and was content to characterize the value of service element in rates as a survival of the former monopoly position of the railways.

However, there is a continuing factor influencing railway rates, namely the common carrier status of the railways, which assures a continuing importance to value of service principles. Common carriers are those carriers who undertake to provide service to the public at all times and under all conditions of shipment subject only to the carriers' own physical limitations. This type of service is particularly important to the small shipper. To be able to provide such a service on demand requires an organization capable of handling peak periods of demand and all the contingencies under which traffic may be offered to it. There is consequently for any common carrier a large element of "stand-by" or fixed costs necessarily incurred if it is to maintain the equality of service required of it by law.

To meet these costs common carriers have found it necessary to charge as much as possible on a value of service basis. It is the more valuable commodities moving in smaller quantities over a variety of routes that may be held responsible for much of these so-called stand-by costs. Being of higher value they are naturally not as sensitive to changes in freight rates and have at all times borne higher rates on identical movements than the cheaper bulk commodities. This form of rate structure for a common carrier applies not only to railways but also to any other mode of transportation operated on these principles, i.e., highway and water carriers. It is also used in the current tolls charged by the St. Lawrence Seaway.

Exhibit III
Page 3

If therefore a maximum rate based solely on a cost-plus formula, disregarding the characteristics of the individual commodity, were to be imposed on the railways it would undoubtedly result in much needless dissipation of revenues not recoverable from any other source. It would lead to a reduction in the returns to competing highway common carriers and would constitute a threat to the healthy condition of the entire common carrier service. It would result in business failure for some highway carriers and in curtailment in frequency and quality of service from the remaining group. This would create

a very serious situation, particularly for the small shipper. Large shippers might meet the situation by providing much of their own transportation or by using contract carriers. In either case the traffic would be lost to the common carriers.

It should be noted that the Royal Commission did not at any point state that the 150% formula should be regarded as a ceiling for freight rates. It merely noted that the "equitable contribution allowed by maximum rates *should not be less than 150% of long-run variable costs*". In expressing itself in this way the Commission was undoubtedly aware of the fact that there are many cases where the going rate exceeds 150% of the variable cost of the movement. The Commission's intent was that 150% of variable cost could operate as a maximum rate without serious effect upon carrier revenues only when based on its key weight of 30,000 pounds. To base it on actual weights, given the nature of the common carrier cost structure, would be to impose a more rigid framework of rate regulation on the industry than has existed for many years. Such a step would be in basic contradiction to the spirit of the Commission's recommendations.

Another undesirable effect of applying such a formula indiscriminately to all carload weights might be noted. If the Commission's formula were applied to actual weights it would tend to operate as a factor discouraging the economically desirable trend toward heavier loading of railway equipment. A simple illustration will make this clear. If the variable cost at 30,000 pounds is $1 per cwt., the formula will produce a contribution to fixed costs of $1.50 per cwt. On a heavier carload the variable cost might drop to 80¢ per cwt. Application of the same formula would set a limit of $1.20 as the contribution to fixed costs. It will be seen that as the formula is applied to sufficiently larger carload weights the allowable contribution to overhead decreases. The railways then might conclude that their overall position would be better if they discouraged heavier loading of cars.

Exhibit III
Page 4

It must be recognized under the Commission's system of maximum rates that in regard to the heavier carload traffic, which normally will be given lower rates, the maximum rate ceiling will tend to become less effective. The Commission was aware of this fact but pointed out that even though the maximum rate might be set at 30,000 pounds both the railway and the shipper had a common interest in loading cars more heavily and the shipper would be in a position to obtain from the railway through a lower rate some of the savings accruing from the use of heavier carloads. Bill C-120 offers encouragement along these lines in providing for a step-down formula for calculating the maximum rate on heavier shipments (Clause 19, Section 335(5) (ii), page 24).

The shipper of bulk commodities has also several other factors adding to his bargaining strength even where there may be no practicable alternative carrier for his traffic:

(i) the heavier loading commodities are frequently of low value and very sensitive to changes in freight rates. Consequently there is much less scope for the railways to raise rates here without losing traffic.

(ii) in many cases such commodities originate in large volume from very large projects, e.g., mines, quarries, etc., or may have been brought into production on the basis of prior negotiation on rates with the railway. Bargaining strength of the shipper therefore may be considerable even though technically the traffic in terms of alternative routes might be classed as captive.

(iii) for a large number of commodities often shipped by small shippers, rates have been made on an area or group basis, e.g., commodity mileage rates.

Under this system every shipper pays on the basis of a uniform scale. Such rates apply to pulpwood, lumber and a wide variety of mining and agricultural products. This type of rate has been established largely on the railways' own initiative since it offers an acceptable solution both from the point of view of the railways and the shippers for satisfying what would otherwise be a great many conflicting claims. The carriers have every interest in adhering to rates of this type after the new legislation is passed. Such a common pattern of rates will extend over a wide area covering many different conditions of shipment.

Department of Transport,
March 8, 1965.

Exhibit IV
Page 1

EXHIBIT PREPARED FOR THE STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

Subject: How National Policy is Affected by Bill C-120

In its Report, the Royal Commission on Transportation makes a fundamental distinction between what it called "National Policy" and "National Transportation Policy":

> We regard our area of responsibility to be confined, first, to recommending guides to action in developing a National Transportation Policy, which is concerned with the effectiveness of transport itself, and second, to pertinent observations respecting the effects upon it of National Policies making use of transportation to achieve their particular objectives . . . Our position is that a clear distinction has to be drawn between the objectives of a National Policy which uses transportation to achieve certain ends and the objectives of a National Transportation Policy which we deem to be efficiency and economy in the transportation system (see Report, Vol. II, pp. 2, 3).

Four National Policies which use transportation as a means to an end are statutory rates on export grain (Crows Nest Pass Rates), the preference granted in freight rates to shippers in the Atlantic Provinces and Eastern Quebec (Maritime Freight Rates Act), the "Bridge" subsidy and Feed Grain Assistance. None of these Policies is designed to assist the railways, although payments are made to the railways by the Government as a result of the M.F.R.A. and the "Bridge" subsidy.

The Crow's Nest Pass Rates were established in order to make and keep Canadian grain competitive in world markets. The Maritime Freight Rates Act was enacted to make available to the Maritime producers the markets of Central and Western Canada. The Bridge Subsidy was provided to reduce the impact on Western Provinces of the high transportation costs incurred in hauling goods across Northern Ontario, the "bridge" territory between Eastern and Western Canada. Feed Grain Assistance, begun as a wartime measure, is designed to keep the costs of feed grains to eastern and B.C. livestock and poultry producers lower than they would otherwise be by paying part of the transportation costs.

Exhibit IV
Page 2

The Crow's Nest Pass Rates are not changed by Bill C-120; rather, existing rates on western grain and flour moving to Vancouver and Prince Rupert for

export are made statutory. The Maritime Freight Rates Act is specifically exempted from the changes incorporated in Bill C-120, and the Feed Grain Assistance Regulations are not affected. The Bridge Subsidy is however, eliminated by Bill C-120.

It was a general recommendation of the Royal Commission that where a burden was placed on any transportation mode by reason of a National Policy, that burden should be borne by the taxpayers of Canada. It therefore recommended that the railways be compensated for any excess of costs over revenues arising from carriage of western grain and this recommendation is incorporated in Bill C-120. The railways have always been compensated for rate reductions granted under the M.F.R.A. and no change is made in this arrangement by Bill C-120. Feed Grain Assistance does not directly affect the railways since it is paid to the wholesale dealers who incur transportation expense by reason of certain dealings in feed grain. (The dealers must pass on the subsidy to the livestock and poultry producers).

The only effect of Bill C-120 which is directly related to a National Policy as distinguished from a National Transportation Policy, arises from cancellation of the bridge subsidy. In return for the subsidy of not more than $7,000,000 per year, for maintenance of transcontinental lines in Northern Ontario, the railways are required to reduce rates on non-competitive traffic moving over the "bridge". The Royal Commission found, however, that the growing competition between modes was a much more effective regulator of rail rates than the "Bridge" Subsidy, and that payment of the subsidy had produced inevitable distortion in resource allocation among modes of transport, had adversely affected competitive carriers such as navigation and trucking companies, and had reduced competition between Canadian and U.S. railways which had previously been a moderating influence on Canadian freight rates. The Commission concluded that elimination of the "Bridge" Subsidy and the concomitantly reduced rates would result in a more equitable and in the end a more favourable general rate structure. Bill C-120 accordingly gives effect to this conclusion.

Department of Transport,
March 8, 1965.

Exhibit V
Page 1

EXHIBIT PREPARED FOR STANDING COMMITTEE ON RAILWAYS, CANALS AND TELEGRAPH LINES

Subject: Maritime Rate Preference Under Bill C-120

The Maritime Freight Rates Act, Chap. 174 R.S. 1952, became effective July 1, 1927, following the report of the Duncan Commission on Maritime Claims. That Commission found that the preferential position of the Maritimes in respect of rates on goods moving within the Maritimes and westbound from the Maritimes, which shippers in that area had enjoyed for many many years, had been reduced by successive rate increases and should be restored.

The Act defined the Maritime Area concerned (which includes a part of Eastern Quebec) as the "select territory" and the traffic affected as "preferred movements". It directed Canadian National to cancel existing tariffs on preferred movements and substitute others, reducing the rates by approximately 20%, subject to increases or decreases as might be required in the future to meet increases or reductions in costs of operation.

In 1949 Newfoundland was included in the "select territory".

Since 1957 the rate reduction has been 30% on the select territory portion of outbound hauls. The Act has not been changed but the increased subsidy

has been authorized by annual vote of Parliament. No change has been made in the 20% reduction applicable on "intra-select territory" traffic.

Changes in the form and extent of railway rate regulation as now proposed will leave unchanged the preferential treatment accorded to Maritime freight rates. The Maritime Freight Rates Act, which is to remain as is, sets out the Maritimes' statutory advantage in Section 7 as follows:

> 7. The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three Provinces of New Brunswick, Nova Scotia and Prince Edward Island, and in addition upon the lines in the Province of Quebec mentioned in Section 2, together hereinafter called "select territory", accordingly the Board shall not approve nor allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

The railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate. They will, however, still be subject to the foregoing Section of the Act, and will have to consider whether any rate action taken elsewhere will "destroy or prejudice" the advantages given shippers in the select territory "in favour of persons or industries located elsewhere". This will be a question of fact and while it does not mean that every Maritime rate must be kept 30% below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in Section 7. In any case, it will be open to shippers in the select territory to complain to the Board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that Maritime shippers continue to enjoy rate preferences.

Exhibit V
Page 2

Moreover, by the elimination of the financial burdens to the railways from uneconomic passenger services, thin-density branch lines and obligations to handle export grain traffic at a loss, and by the granting of greater rate-making freedom and thus greater ability to compete for traffic, it will be unnecessary for the railways to offset these burdens by means of horizontal rate increases, increases which in the past have fallen most heavily on the traffic of the Atlantic and Western Provinces. Their elimination will thus improve the relative position of these Provinces.

Of even greater significance is the trend towards accelerated economic growth within the Maritime Region resulting from the aggressive and increasing number of development measures of the Atlantic Provinces. This rapid growth will be assisted more by the new legislation with its greater freedom than by the present Railway Act with its greater reliance on regulations. Under the new rate system not only will the railways have the increased ability to meet changing competitive conditions, but will have in addition a greater flexibility to adjust rates to assist special "development" situations and thus contribute to the increased economic growth of the area.

The freight rate prognosis for the Maritimes is encouraging. The existing preferences are to be maintained by Bill C-120 and factors such as increased economic growth within the region, increased trucking competition and elimination of the necessity for the railways to transfer the losses on some uneconomic services to users of freight services point to an improvement in the relative position of the Maritime Provinces.

Department of Transport,
March 10, 1965.

APPENDIX "F"

THE PRINCIPLES OF NATIONAL TRANSPORTATION

A Submission to the House of Commons Standing Committee on Railways, Canals and Telegraph Lines, on the Subject Matter of Bill C-120.

by

The National Farmers Union of Canada

March 23, 1965

INTRODUCTION

We welcome the opportunity of appearing before your committee and presenting our views on the question of national transportation in Canada. The National Farmers Union is a federation of the following provincial organizations: the Ontario Farmers' Union, the Manitoba Farmers' Union, the Saskatchewan Farmers Union, the Farmers' Union of Alberta and the Farmers' Union of British Columbia. We represent some 60,000 Canadian farm families.

We wish to commend the Government of Canada and the Minister of Transport for referring the subject matter of Bill C-120 to this Committee before second reading. A request to this effect was made to the Minister of Transport by the Saskatchewan Farmers Union on October 5, 1964.[1] We are pleased to note that the Minister has given the request favorable consideration.

Terms of Reference

Two statements made in the House of Commons by the Government define the terms of reference of the Committee's inquiry. On Tuesday, February 16th, 1965, the Minister of Transport said in part:

> . . . I was hoping . . . to see if it would be possible by agreement to have, not the bill itself, but the subject matter of the bill . . . referred, almost immediately, to the railway committee so we could use the time of the rest of this session to hear some of the representations that many people are anxious to make about this bill . . .[2]

The Minister made it clear that the referral of the *subject matter* of Bill C-120 did not involve a commitment to the principle of the bill. He said in part:

> It would involve no one committing himself to the principle of the bill at all, but would merely make the bill available for study . . .[3]

On Thursday, February 18, the Minister moved second reading of Bill C-120, the motion being amended to read that the Bill be not read the second time, but that the subject matter thereof be referred to this Committee.

The question follows: What is meant by the "subject matter" of the Bill? Section 1 of Bill C-120 presently reads in part:

> It is hereby declared that the national transportation policy of Canada is the attainment of an efficient and fully adequate transportation system by permitting railways and other modes of transport to compete . . .[4]

---

[1] A copy of the letter can be found in Appendix A to this brief.
[2] *Hansard* Feb. 16, 1965, (Ottawa: Queen's Printer, 1965), p. 11380.
[3] *Ibid.*
[4] Bill C-120, Sept. 14, 1964.

Without commenting on the principle enunciated in section 1, we note that the words "fully adequate transportation system" and "railways and other modes of transport" are used in reference to policy. Although subsequent sections of the Bill deal almost exclusively with the question of railroad transportation, it is clear that the authors of the Bill are concerned with the relation of rail to other modes of interprovincial transportation. We take the "subject matter" of the bill to mean, then, the entire question of interprovincial transportation, with special consideration given to railroads.

In view of the terms of reference, as we interpret them, we have chosen to confine our remarks and observations to a discussion of the principles of national transportation policy, with attention given to railroads.

Principles of National Transportation Policy

The principles of national transportation policy must be considered in the light of the historical role and function of transportation in Canadian political and economic development. In this section of the brief, we propose to discuss the historical role of transportation in Canada, the function of transportation, and what we consider to be the objective of national policy in regard to interprovincial transportation.

Historical Role of Transportation in Canada

Since the turn of the 19th century, transportation in Canada has been instrumental in developing a national industrial and politically independent nation.[1] The development of the St. Lawrence-Great Lakes system through canals, the construction of the Intercolonial Railway to the Maritimes (1876), and the Canadian Pacific to the west coast (1885) were conditional to the emergence of a national industrial complex politically independent of the United States. Innis observes:

> The act of union, and the construction and deepening of canals, the support of the Grand Trunk Railway, Confederation, the construction of the Intercolonial, the National Policy, and the support of the Canadian Pacific, the Grand Trunk Pacific, the National Transcontinental, and the Canadian Northern were results of the necessity of checking competition from United States, and of overcoming the seasonal handicaps of the St. Lawrence and the handicaps incidental to the precambrian formation and the Rocky Mountains period. To build canals and improve the St. Lawrence system, and to build railways to the Maritimes and across the precambrian formation north of Lake Superior to British Columbia, from Montreal, Quebec, and Toronto, necessitated reorganization of the political structure, grants in land and cash, and the tariff, particularly the National Policy and imperial preferences.[2]

Put another way, the development of an interprovincial transportation network has never been exclusively regarded as an end in itself. The system of canals built during the early part of the 19th century was designed to improve trade and commerce in staples such as furs, timber, and cereal grains.[3] The canal system per se was subservient to other economic objectives.

The construction of the Intercolonial and the western transcontinentals was in response to achieving the goal of economic and political unity north of

---

[1] See V. Fowke, *National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1957.)

[2] H. A. Innis, *Essays in Canadian Economic History*, (Toronto: University of Toronto Press, 1962), p. 229.

[3] See G. P. deT. Glazebrook, *A History of Transportation in Canada*, (Toronto: McClelland and Stewart Ltd., 1964), Vol. 1.

the 49th parallel. Indeed, the route followed by the Intercolonial satisfied military and commercial rather than economic considerations.[1] The same was true of the routes followed by the western transcontinentals. Fowke observes:

> It would be incorrect to assume...that the prairie provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built. One of the chief concerns of the early railway policy of the Dominion Government was the exclusion of American railways from Canadian territory to the west of the Great Lakes...The national policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than no railways at all.[2]

And Innis writes:

> The growth of remunerative traffic to western Canada after the turn of the century led the Grand Trunk to assume an aggressive policy with plans to extend its line from Chicago to Winnipeg. Again the tariff and the refusal of the Canadian government to support a line through American territory compelled it to agree to co-operate in the construction of the National Transcontinental Railway from Quebec to Winnipeg in the west and to Moncton in the east, and to build, under a subsidiary, the Grand Trunk Pacific, a line from Winnipeg to Prince Rupert. The result was a transcontinental line from Moncton to Prince Rupert with no close connections with the parent system and ill adapted as a direct entry into Western Canada.[3]

The burden of financing the construction of an interprovincial transportation network during the 19th and early part of the 20th centuries fell largely on the shoulders of the Canadian taxpayer. The cost of building the Intercolonial Railway was borne by the federal government.[4] The construction of the CPR was made possible in large measure through public subsidies, land grants, and guaranteed loans.[5] The Canadian Northern received public subsidies and land grants, the Grand Trunk Pacific received public guaranteed bonds and loans, and the National Transcontinental Railway, built by the federal government, was turned over to the Grand Trunk Pacific.[6] Later, the Canadian Northern, the Grand Trunk, the Grand Trunk Pacific, the National Transcontinental, and the Intercolonial were brought under the single management of the Canadian National Railways, a publicly owned utility.

If railroads, along with canals, were instruments of national policy, it must also be said that the Canadian public assumed its full responsibilities in the creation, financing, and later, the operation of such instruments.

The historical role of transportation in Canada can now be restated. Interprovincial transportation has been an indispensable instrument of national policy. In most cases, the taxpayer has borne the expense of providing and operating the service, regardless of the mode; in some cases, the public has subsidized private corporations for the construction and operation of a mode.

---

[1] *Ibid.*, Vol. II, Chap. VI.

[2] Fowke, *op. cit.*, pp. 68-69.

[3] Innis, *op. cit.*, p. 226.

[4] Glazebrook, *op. cit.*

[5] See "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", *A Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960; Chap. V and Appendices A & B; Glazebrook, op. cit., Chaps. VII-IX.

[6] Glazebrook, *op. cit.*, Chap. X; C. Martin, "Dominion Lands Policy", *Canadian Frontiers of Settlement*, ed. W. A. MacIntosh & W. Joerg, (Toronto: The Macmillan Co., 1938), Chaps. IV and V.

In all cases, the public—that is, the federal government—has assumed responsibility for the regulation and control of interprovincial transportation, if only on a modal basis.

The Function of National Transportation

Industry—be it agricultural or otherwise—continues to rest on the movement of goods and services. Transportation then continues to be *instrumental* to industrial development and growth.

During the past one hundred years, Canada has developed a variety of modes of transportation. They include:

(*a*) Ships
(*b*) Railroads
(*c*) Motor Vehicles
(*d*) Airplanes
(*e*) Pipelines

Each and every mode listed above requires government involvement and expenditure for its successful operation. Inland and overseas shipping requires canals, harbors, navigational aids, channels which are properly dredged, weather reports, and so on. All of these indispensable services are provided through government expenditure and planning.

Canadian railroads not only required public monies for their construction and operation, but through the Canadian National Railways, the government has become directly involved in the provision of rail transportation service.

Motor vehicle transportation requires roads, weigh stations, road maintenance and patrol, etc.; all of which are provided through federal and provincial expenditure.

The first national airline service in Canada was provided through a government-owned air service; and the maintenance and provision of airline terminals, weather maps, and the regulation of such service, falls within the jurisdiction of the federal government.

To summarize, the provision of interprovincial transportation services, regardless of the mode, is instrumental and functional to the well-being of the Canadian economy. The services, in turn, depend, in part—and in some cases in whole—on public regulation, expenditures and control.

The Objectives of National Policy

We have attempted to show that the provision of national transportation has been a critical and indispensable instrument in shaping our national historical development. Indeed, the use of transportation as an instrument of national policy has been both conscious and deliberate.

Moreover, we submit that the ultimate role of interprovincial transportation in our national development has not changed. The provision of national transportation services remains a *means* to achieving both economic and political goals.

Recognizing the historical and functional role of transportation in Canadian economic and political development, we submit that interprovincial transportation be regarded as a service industry, necessary to the well-being of the economic and political future of our nation. As such, the provision of interprovincial transportation services should be regarded as a means to an end, and not an end in itself.

At this point, we wish to draw your attention to the report of the Macpherson Royal Commission on Transportation. In Volume II of their report, the Commissioners observe:

> Almost every transaction which occurs in the life of the nation involves transportation as one element of cost. Thus the material well being of the nation is improved when goods are manufactured and services are rendered under conditions where the real cost of transportation is kept to the minimum necessary to provide fully adequate services.[1]

The Commissioners, however, do not define the objectives of national transportation policy in terms of the provision of "fully adequate services". Rather, they define national transportation policy in terms of the *means* of providing fully adequate services; in their own words, they are concerned with the ". . . effectiveness of transport itself. . . " Two related concepts are central to their arguments and recommendations: economy and efficiency. National transportation policy, for the Commission, should be the attainment of an efficient and economic transportation system.

We submit that the Commission has elevated the means to providing a fully adequate transportation system to an end in itself. Not the provision, but the providers of interprovincial transportation become the objective of national policy. The criteria for service is not need, but whether or not the service is economic—and therefore rewarding, and efficient—and therefore competitive.

Put another way, the Commissioners write:

> It should be quite apparent that as long as the transportation system is required to perform services which *do not reflect commercial incentives,* financial assistance from the government will be a necessary concomitant of transportation policy.[2]

That is, the providers of transportation should only be required to provide those services in which they can realize a profit. If the national interest demands the provision of services which do not reflect commercial incentives, then the cost of providing such service should fall on the shoulders of the Canadian taxpayer. We note that the financial burden to the taxpayer in these instances is not to be tempered by applying profits on economic services to losses on uneconomic services. Rather, public monies are to be used, when necessary, to guarantee profitable returns to the providers of transportation service.

We reject this point of view. National policy should be concerned first and foremost with the objective of national transportation, and it bears repeating that the objective of interprovincial transportation has been, and remains an instrument in developing and maintaining a viable economic and political nation. The means of providing transportation services have been and should continue to be tailored to this objective. They have not and should not become an end in themselves.

The Implementation of National Policy

Having defined national transportation as a service industry, instrumental to the development and maintenance of a viable economic and political nation, we turn to a discussion of what we consider to be the appropriate means whereby national policy may be implemented.

We wish to deal with three questions: (1) *How* shall service be provided; (2) *Where* shall service be provided; and (3) How the *cost* of providing service may be met. In other words, we are concerned with the manner in which service shall be provided, the determination of need for service, and the financing of service.

---

[1] *Report of the Royal Commission on Transportation,* Dec. 1961, Vol. II, Chap. 1, pg. 9.
[2] *Ibid.,* Chap. VII, p. 195.

The Provision of Service

The transportation industry in Canada has not remained immune to the technological revolution of the fifties and sixties. Innovations have taken place within long-established modes of transportation. For example, since 1945 the CNR and CPR have introduced sweeping technological innovations to the railway industry. The conversion to diesel locomotive power, modernization and improved capacity of rolling stock, the introduction of centralized traffic control (CTC), automatic hump yards, the master agency plan; the extension of section limits and the mechanization of techniques for maintaining track; the abandonment of branch lines, the introduction of terminal run-throughs, the centralization of car repair shops, and the mechanization of office procedures, are some of the innovations which have changed the face of railroading in Canada.[1]

Innovations have widened the scope and capacity of other modes of transportation. For example, improved roads, the construction of interprovincial highways, the roads to resources programme, along with the improved design and construction of powerful motor units, have enabled trucks to move into the field of long distance hauling, a field previously monopolized by railways.[2] Improved design, along with the introduction of the jet engine, have increased the capacity and scope of airplanes.

Innovations have also introduced new modes of transportation. Pipelines are a case in point. To date, they have been used to transport fluids over long distances. However, our investigations lead us to believe that pipelines may be developed which are able to transport solids such as grain.[3]

The problem in providing adequate interprovincial transportation services then does not lie in the absence of a number of suitable modes. To the contrary, our experience during the past twenty years leads us to believe the future promises a wider variety of transportation services. The problem lies rather in harmonizing, co-ordinating, planning and regulating the various modes on a national basis and in the national interest. To date, no federal agency or authority has been developed or promised to fill this need.

In 1938 Parliament passed the Transport Act which established the Board of Transport Commissioners for Canada. The original intention of the Act was to provide for a government board with the object of co-ordinating and harmonizing the operations of all carriers engaged in ship, rail and air transportation.

In 1944, Parliament changed its policy in regard to national transportation. The Transport Act was amended, giving the Board of Transport Commissioners jurisdiction over the construction, maintenance, operation, and rates of railways, rates of telephone, telegraphy, and express companies, the tolls on international bridges and tunnels, the licensing and rates of ships on the Great Lakes, and any other matter defined in the Act or special Act related to transportation.

Air transportation was brought under the control of the Air Transport Board (1944) which was given the power to regulate air transportation without reference to the Board of Transport Commissioners.[4]

---

[1] For a resume of changes in the railroad industry see the submission by Frank Hall to the Standing Committee on Railways, Canals, and Telegraph Lines, *Minutes of Proceedings and Evidence* No. 1, House of Commons, Oct. 8, 1963.

[2] See D. W. Carr, "Truck-Rail Competition in Canada", *Report of the Royal Commission on Transportation*, 1962, Vol. III.

[3] See *Abstracts of Fluid Dynamics Research Papers* (Edmonton: Research Council of Alberta 1963); G. W. Hodgson & L. Bolt, "The Pipeline Flow of Capsules", Annual Meeting Paper 15, *Engineering Institute of Canada*, 1962.

[4] Air transportation is further regulated by the Aeronautic Act (1927) which governs the registration of aircraft, the safety and control of navigation, and the licensing of air crews. The Act was amended in 1944 to include the Air Transport Board.

In 1947 Parliament passed legislation creating the Canadian Maritime Commission. The Commission does not have the regulatory authority of the Board of Transport Commissioners. However, it keeps records of shipping services, and administers the subventions for coastal steamships which Parliament passes each year.

In 1961, the MacPherson Royal Commission on Transportation recommended the establishment of a Transportation Advisory Council to continually study transportation investment and make policy recommendations to the Minister of Transport.

In 1964, the federal government introduced Bill C-120 to the House of Commons. The provisions of the Bill further fragmentized federal policy in regard to national transportation. Section 72A of the Bill called for the establishment of a Branch Line Rationalization Authority, to be responsible to the Minister of Agriculture. (Sec. 72F).[1]

The obvious and glaring failure of the federal government, and, in the last analysis, Parliament, to provide for a federal authority to plan transportation services on a national basis and in the national interest is disconcerting. To say there is a need for such an authority is to belabour the obvious.

We therefore recommend that this Committee consider the establishment of a federal transportation authority, to harmonize, co-ordinate, plan and regulate transportation on a national basis, regardless of the mode.

Such an authority should have similar powers to those presently held by the Board of Transport Commissioners.[2] Specifically, the authority should have the power to fix and regulate freight and passenger rates, direct investment, determine need for service, ensure the adequate provision of service, and in a general way, harmonize service, regardless of mode. The authority should be responsible to the Minister of Transport.

Determining Need for Service

The demand for transportation services can be both regional and apparent, and local and debatable. The MacPherson Royal Commission has recommended that the market mechanism be given freen reign in regulating the relationship between the demand for transportation services, and the provision of same.

The Commissioners concede, however, that the market place does not always guarantee service to areas or regions in need of service. The need for service is equated, in effect, with the probability of realizing a profit in the provision of service. "Unremunerative" service, by definition, is "unneeded" service. Nothing could be further from the truth.

We submit that there is an intelligent and therefore commendable alternative to the market place; an alternative which satisfies the objective of national transportation policy as defined in the previous section of this brief.

A transportation rationalization agency should be established, the purpose of which should be to assess and determine the need for transportation services, regardless of mode. The agency should be responsible to and under the jurisdiction of the federal transportation authority described above.

The agency should be provided with a research staff, made up of transportation economists, economists and sociologists. The research staff could assist in determining the social and economic needs for transportation services.

Applications by shippers and/or communities for transportation services, and applications by the providers of transportation services for leave to provide or abandon service should be submitted to the federal transportation authority. The authority, in turn, would forward the application to the rationalization agency for processing.

---

[1] For a critique of Bill C-120, See Appendix B.
[2] See Chapter 234 of the Statutes of Canada, An Act Respecting Railways.

The processing of the application would take two forms: (1) The agency would undertake regional studies, such preliminary studies to be continually updated and used to provide a basis for judging need. In addition, the agency could direct their research staff to conduct any additional studies which a given application might warrant; (2) The agency would hold public hearings at which the parties involved would have the opportunity of arguing and defending their case. On the basis of public hearings and the studies mentioned, the agency would assess the need for transportation services and forward their recommendation to the federal authority.

It would be expected that in most cases, the authority would accept the recommendation of the subordinate agency. However, in ruling, the authority would be in a position to assess the judgment or recommendation in terms of a wider context—that of national transportation as a whole.

Provision should also be made for appealing the recommendation of the rationalization agency; the appeal being made to the federal transportation authority.

In determining the need for service, we suggest there are at least three critical considerations:

(1) The economic requirements of the provider of service;

(2) The economic needs of the shipper and/or community;

(3) The related social considerations of the community.

Financing Service

Transportation service must be paid for. We suggest the following procedures:

The providers of transportation service should establish what they consider to be fair and reasonable freight rates.

These rates, in turn, should be approved by the federal transportation authority, much in the same manner as the Board of Transport Commissioners presently approves rail freight rates. We repeat that the authority shall at all times have the power to fix, alter and approve freight rates.

Annual deficits incurred in the provision of transportation services should be met by federal subsidies. The candidate for a subsidy should be required to show that they have operated their service both efficiently and economically, insofar as is possible.

The costs of federal subsidies paid to railway companies which incur annual deficits in their operations in order to meet the objective of national transportation policy, must be charged to the nation as a whole rather than charged to any particular segment of the economy.

The Application to Canadian Railways

In the first two sections of this brief, we have attempted to define the objective of national transportation policy, and explore means of implementing that policy. In this last section, we would like to relate, in part, the principle and mechanisms discussed above to the operation of Canadian railways.

Transportation as a Unit

If the provision of transportation services is to be regarded and treated as a unit, then railways can no longer be considered in isolation to other modes of transport. Existing legislation should be, where necessary, updated and revised, providing for an authority having jurisdiction over all modes of transportation, including railways.

A number of questions might serve to illustrate the point. Should railways be required to provide service to a given community when trucks and/or

pipelines can provide the same range of services more efficiently and economically? Obviously a judgment is involved. Are the claims of pipeline and trucking companies reasonable and legitimate? Is railroad service in this instance still necessary, beyond the question of economy and efficiency? Questions and judgments of this kind should be settled by a neutral and impartial authority, an authority with national responsibility and power, and an authority which is capable of assessing and acting in the national interest. Above all, questions and judgments of this kind—related to the provision of railway service—cannot be considered *without reference to other modes of transportation.*

Determining the Need for Rail Service

At present, the Board of Transport Commissioners regulates and controls the construction and/or the abandonment of rail service and branch lines. In general, this principle is sound, and we reject without reservation the proposals presently contained in Bill C-120 which relate to the abandonment of branch lines.[1]

However, we feel the present policy in regard to the regulation and control of the construction and/or abandonment of rail service and branch lines can be strengthened in two ways:

First, the Board of Transport Commissioners should be replaced by the federal authority discussed above, thereby bringing the entire question of railroad service into a wider and more meaningful context.

Second, the federal authority should be assisted in its duties by the creation of a transportation rationalization agency, also discussed above in the previous section. The agency would serve to process applications for leave to provide or abandon rail service and/or branch lines. In this way, the judicial function of the authority would be complemented by the investigation function of the agency.

Freight Rates

We suggest the regulatory powers presently held by the Board of Transport Commissioners be turned over to the proposed federal transportation authority. We reject those proposals in Bill C-120 which weaken the powers currently held by the Board of Transport Commissioners—that is, Section 15 of the Bill.[2] We submit that the fixing of freight rates is too important a matter to be left to the discretion of railway companies.

We once again reiterate our support for Crow's Nest rates on flour and grain.

Economies and Efficiencies in Railroading

We submit that there will be times when the national interest demands and requires the provision of so-called uneconomic railroad service. In such cases, we have recommended that federal subsidies be made available to cover any loss involved.

We wish to make it clear, however, that subsidies should be paid to railway companies on the basis of a deficit in their overall railway operation. Railway companies should be required to cover losses on so-called uneconomic services, with profits made on so-called economic service. Only if there is an overall deficit should a federal subsidy be considered.

Moreover, it is imperative that the federal transportation authority ensure, insofar as it is able, that the operation of railway services be efficient and economic. By this we mean, railway companies should be required to operate as efficiently and as economically as is possible, with the understanding that

[1] See Appendix B.
[2] *Ibid.*

they may, from time to time, be required, in the national interest, to provide service on which they cannot cover their costs of operation. The national requirements for so-called uneconomic service should not be permitted to become a license for extravagance and misuse of public funds.

To this end, we recommend the nationalization of the Canadian Pacific Railway Company, and the integration of the CP system with the CNR. The reasons for nationalizing the CPR can be summarized as follows:

(1) In public statements, the CPR has made it clear that it is only prepared and able to provide railway services which offer commercial incentives.

(2) The CPR is not prepared to cover losses on so-called uneconomic services, with profits on so-called economic services, nor with profits earned from its many and varied investments in other industries.

(3) The existence of two national railway companies involves unnecessary duplication of track, physical plant, and resources.

(4) Economies can be realized through the integration of the two railway systems, and the operation of the integrated system with one line of management.

Conclusions and Recommendations

Interprovincial transportation has been, and continues to be indispensible to the economic and political future of our nation. As such, transportation is a service industry and should be regarded and treated as such.

The basis for providing transportation service should be the social and economic needs of the shipper and/or community—be it local or national. The cost of providing such service is an important but secondary consideration.

We submit the following recommendations for your consideration:

(1) The establishment of a single federal transportation authority with power to harmonize, regulate, control and plan national transportation services, regardless of mode.

(2) The treatment of national transportation by the authority as a unit.

(3) The placing of the authority under the jurisdiction and responsibility of the Minister of Transport.

(4) The creation of an agency under the authority to assist in the determination of need for service.

(5) The nationalization of the CPR and the integration of that system into one single government utility.

All of which is respectfully submitted by

The National Farmers Union of Canada.

Appendix A

October 5, 1964.

The Honourable J. W. Pickersgill,
Minister of Transport,
House of Commons,
Ottawa, Canada.

Dear Sir:

Having carefully studied the content of Bill C-120, we are of the opinion that we cannot accept the Bill in principle as it now stands.

In our opinion, the principle of the Bill can be stated as follows: Railway companies shall be permitted to compete freely with other modes of transportation in order to realize a profit (Sec. 1a). Those branch lines, or portions thereof, on which railway companies cannot realize a profit, shall be candidates for abandonment (Sec. 314). If the public interest demands the continuation of a branch line or portion thereof on which the railway company is not realizing a profit, than the company shall be compensated for loss (Sec. 314f). The company shall not be required to operate an uneconomic branch line beyond the 30th day of June, 1979 (Sec. 314c), unless so ordered by Order in Council (subsection 5 of section 314c), in which case the Company shall receive compensation for losses incurred (subsection 6 of section 314g).

In other words, the purpose of Bill C-120 is to guarantee railway companies an environment in which they can, through competition with other modes of transportation, realize a return on their investment. The needs of the shipper and the community have been relegated to a secondary consideration. This, we submit, is not in keeping with national transportation policy as developed in Canada over the years. Bill C-120 places the needs of the providers of rail service over the provision of rail service. This principle is unacceptable to the Saskatchewan Farmers Union.

Moreover, the principle by which freight rates shall be determined as outlined in sections 325 and 15 is unacceptable. In view of the dependency of the national economy on transcontinental transportation, we submit that the fixing of freight rates is too important a matter to be left to the pleasure and discretion of the railway companies. The provisions of sections 328 and 325 do not detract from the principle outlined in sections 325 and 15. Crow's Nest Pass Rates, and exemptions from freight rates determined by the railway companies have become exceptions to, rather than the basis of national transportation policy. The public determination and regulation of railway freight rates is no longer the cornerstone of national transportation policy.

We therefore respectfully request the Government refer Bill C-120 to the Railway Committee of the House of Commons before Second Reading. Through public hearings, the Committee may so amend the Bill as to render it satisfactory to the shipper, the community, and the railway companies.

Your truly,

Roy Atkinson,
President.

c.c. The Right Honourable L. B. Pearson, Prime Minister.
The Right Honourable J. G. Diefenbaker, Leader of the Opposition.
Mr. T. C. Douglas, M.P., Leader of the New Democratic Party.
Mr. R. N. Thompson, M.P., Leader of the Social Credit Party.
Mr. Rhéal Caouette, M.P., Chef du Ralliament Créditiste.

Appendix B

SASKATCHEWAN FARMERS UNION

Submission

to the

RAILWAY COMMITTEE OF THE PROVINCIAL EXECUTIVE COUNCIL

on

Bill C-120

Regina, Saskatchewan
January 4, 1965

Introduction

The Saskatchewan Farmers Union welcomes the opportunity of sharing its views on Bill C-120 with the Railway Committee of the Executive Council of the Province of Saskatchewan. The Union and its members commend the Government for inquiring into the nature and consequences of Bill C-120. We trust that this inquiry will enable the Government to forcefully place the views of Saskatchewan people before the Federal Government and Parliament.

The SFU Stand on Bill C-120

The 15th annual convention of the Saskatchewan Farmers Union (December, 1964) spent considerable time discussing and studying events leading up to the introduction of Bill C-120 to the House of Commons on September 14th. The convention unanimously passed a resolution that declared:

(1) The principle on which Bill C-120 rests is totally unacceptable to Saskatchewan farmers.
(2) The provisions for the abandonment of branch lines were inadequate.
(3) The provisions for the establishment of freight rates were contrary to the public interest.

We would like to document these three conclusions in some detail.

The Principle of Bill C-120

Bill C-120 is based on the conclusions and recommendations of the MacPherson Royal Commission on Transportation. An explanatory note in the Bill reads in part:

> The Report of the Royal Commission on Transportation contains a number of recommendations with respect to the regulation of railways in a competitive environment . . . The purpose of this Bill is to give effect generally to these recommendations so far as the Railway Act is the appropriate place to do so.[1]

In introducing the resolution related to Bill C-120, the Minister of Transport made reference to the recommendations of the MacPherson Royal Commission and said in part:

> . . . the recommendations in the main have commended themselves to the government, and in the main we are proposing to ask parliament to translate these recommendations into legislation. . .[2]

---

[1] Bill C-120, Second Session, 26th Parliament, 13 Elizabeth II, 1964, explanatory note No. 1.
[2] House of Commons Debates September 14, 1964, p. 7980.

The principle on which Bill C-120 rests, then, grows out of the findings and recommendations of the MacPherson Commission. Let us briefly consider those findings and recommendations.

The Commission finds that national transportation policy, as developed over the years, no longer meets modern transportation conditions. They claim that the essential innovation in the transportation industry is the rise of *different* and *competing* modes of transportation. They argue that a transportation policy suitable to railway monopolies is inappropriate to competitive circumstances. *Their major finding, then, was competition in the transportation industry.*[1]

On the basis of this finding, the Commissioners have drawn an important conclusion.

> National transportation policy must seek to achieve a position of economic neutrality wherever competition prevails. Under conditions of essential neutrality there is no apparent reason why each mode of transport cannot compete on the basis of technological adaptability and managerial skill. So long as policy neutrality is preserved, new methods and modes of transport will be encouraged on the basis of their competitive ability and old ones will pass from the scene on the basis of competitive disability. Public policy should assiduously strive. to be responsible for neither, except in those deliberate instances where in the absence of satisfactory competition developmental policies require it.[2]

In other words, the provision of transportation services, the modes of transport, the freight rates, etc., should be determined by competition, not public regulation and legislation, in those circumstances in which competition between different modes of transportation prevails. Again the Commissioners note:

> We are convinced that the benefits of competition to the nation are substantially secure under the incentive of profit maximation and that this incentive can be made to work satisfactorily under a system of mixed, private, and public ownership, so long as publicly owned transportation companies are instructed, permitted, and regulated to work under the criteria of normal business practices.[3]

The key to transportation becomes the incentive of profit maximization under competitive circumstances. What, in effect, does this mean? An officer of the Canadian Pacific Railway Company provides a pointed and succinct answer:

> Funds for its (CPR) investment in property and equipment have been provided by investors looking for a legitimate profit as a return on their investment. If the Company is to provide service to Canada in the future as it has in the past, there must be a constant supply of funds for new investment in improved equipment and facilities and

---

[1] We question the validity of this finding. Evidence in the third volume of the Commission report makes it clear that the railway companies have made a significant entry to the trucking industry. Having listed the consolidations which have taken place in the trucking industry, Carr observes:

"In spite of these consolidations the degree of concentration in the for-hire trucking industry in Canada was still not large though *the overall CPR organization was approaching a dominant position.*" "Truck-Rali Competition" Vol. III., p. 43.

Moreover, the Commissioners themselves do not negate the possibility of increased railway company investment in the trucking industry. They comment in part:

"... the only disadvantage of large-scale ownership of truck lines lies in the danger that it poses to independent truckers. This danger can only persist if railway ownership is more efficient than either independent or private trucking. *Efficiency should not be penalized.*" Volume II, p. 81.

[2] *Report of the Royal Commission on Transportation,* Dec. 1961, Vol. II, Chapter X, p. 276.

[3] *Ibid., p.* BGE.

> better ways of providing transportation service. These funds *will be only made available by investors if the Company can hold out the prospect of its operations resulting in a reasonable profit.*[1]

This statement by an officer of the CPR is critical and deserves some attention. First, it is made clear that the provision of railway services is conditional upon two factors:

(*a*) The provision of investment capital; and

(*b*) The assurance that invested capital will earn a return of what the CPR calls a "reasonable profit."

If, and only if, these two conditions are met, does the CPR guarantee to provide Canada with railway trasportation. The objective of the CPR is clear—namely, to earn a profit or a return for their investors. The provision of transportation service is a *secondary* consideration.

Second, it is apparent that the CPR and its approach to national transportation is narrow in scope. This point is recognized by the MacPherson Commission report. The Commissioners observe that there are times when national or community interests demand rail transportation under conditions where a profit by a railway company cannot be realized. In this regard, the Commisioners note:

> It should be quite apparent that as long as the transportation system is required to perform services which do not reflect commercial incentives, financial assistance from the Government will be a necessary component of transportation policy.[2]

In other words, railway companies should only be required to operate those lines or portions thereof on which they can realize a profit. If the community or national interest demands the operation of an uneconomic branch line or rail service, then the community should be required to pay for same.

The principle of Bill C-120 can now be restated. Traditional national policy has treated railway transportation as a means to an end—that end being the development and maintenance of a viable economic and political nation. Bill C-120 changes national policy to one in which rail transportation may be considered as an end in itself.

The goal of national transportation policy now becomes one of creating an environment in which various modes of transportation may compete freely with one another. Competition shall determine the mode and kind of transportation service provided. Put another way, returns on investment or profits shall determine what kind of transportation service shall be provided, where it shall be provided, and when it shall be provided. In other words, the need for rail transportation services is no longer the primary and most important consideration. The provision of rail service becomes a secondary consideration to that of realizing a return on investment.

The SFU cannot accept this principle. Because of its geographic and regional features, the Canadian economy has required, and is still in need of, an interprovincial transportation system which satisfies the needs of the shipper. If rail transportation service is only going to be provided in those instances in which the railway company can realize a profit, then it is clear that many shippers and communities will be denied rail service.

It can be argued that the MacPherson Commission and Bill C-120 provide for such a contingency. The Bill makes it clear that railway companies

---

[1] Submission by S. M. Gossage, Vice-President and General Manager, Prairie Region, Canadian Pacific Railway Company, to the Saskatchewan Provincial Conference of Railway Retention Committees, Regina, Nov. 22, 1963.

[2] Report of the MacPherson Commission, *op. cit.*, Chap. VII, p. 195.

may be required to provide rail service to communities and shippers, even when they lose money in doing so. However, the Bill also provides that the public—this is, the taxpayer—shall compensate the railway companies for any losses incurred in operating uneconomic rail services. This principle is equally unacceptable to the SFU.

We submit this principle is nothing short of an unjust and unfair system of taxation.

Let us consider a hypothetical case in which a railway company claims a loss of $1,000 on branch line A, and claims a profit of $1,000 on branch line B for a given financial year. Let us also suppose that the company applies for leave to abandon branch line A, that the Board of Transport Commissioners authorizes the abandonment of the line, but the Branch Line Rationalization Authority requires the company to operate branch line A for an additional two years in order to satisfy the public interest.

Bill C-120 provides that the public must compensate the railway company for any alleged losses incurred in the operation of branch line A for the two years in question. The Bill *does not require* the railway company to apply the alleged profit of $1,000 on branch line B to the alleged loss of $1,000 on branch line A. In other words, the Canadian public is being taxed to guarantee the CNR and CPR a profitable operation. In the case of the publicly owned CNR, the principle is absurd; in the case of the CPR, the principle is difficult to justify. We know of no occasion when the Canadian public has declared that public monies should be made available to guarantee a profit to the CPR on each and every rail line it operates. The SFU unequivocably rejects the idea that the Canadian public should be further taxed in order to guarantee adequate rail service from the CPR.

Abandonment of Branch Lines

The Bill provides machinery for the abandonment of any branch line or PORTION THEREOF which is uneconomic. The Bill provides two criteria in defining an uneconomic branch line. The first is what the Bill calls "actual losses" incurred in the operation of a branch line or portion thereof, and the second is . . . such other factors as in its (Board of Transport Commissioners) opinion are relevant."

The Bill defines "actual loss" as an excess of . . .

> . . . the costs incurred by the company in *any* financial year thereof in the operation of the line and in the movement of traffic originating or terminating on the line *over* the revenues of the company for that year from the operation of the line and from the movement of traffic originating or terminating on the line . . .[1]

The Bill *does not* define "such other factors" that the Board of Transport Commissioners may deem to be "relevant" in deciding whether or not a given branch line or portion thereof is uneconomic.

Section 168 of the Railway Act as amended by section 6 of Bill C-120, and section 314B of Bill C-120 make it clear that railway abandonment will take place on a piecemeal basis.

The Saskatchewan Farmers Union finds these provisions of the Bill totally inadequate. The only clear criterion of an uneconomic branch line is "actual loss". The second criterion is less than vague. The Bill fails to specifically include such considerations as needs of the shipper, alternative transportation facilities, including related branch lines, etc., in *determining* whether a branch line in uneconomic and should therefore be abandoned.

Moreover, piecemeal abandonment is not consistent with Canadian needs. Canada requires both a national and regional approach to the provision of transportation services. Such an approach should include an over-all social

[1] Bill C-120, section 314A.

and economic study of a given region, in which the needs for rail services are assessed objectively. Such a preliminary study should serve as a guide as to what lines should be abandoned, what lines should be kept in operation, and where new lines should be laid to provide needed service.[1]

The provision of rail service should be based on the social and economic needs of the shipper and the community. The SFU insists that the cost of providing such service should be included in the assessment of need. However, the cost of service should be one of several criteria used in determining whether or not a line should be abandoned. It should not be the principal criterion.

Finally, the SFU submits that alleged losses in the provision of railway service cannot be satisfactorily established in terms of any single branch line or portion thereof, nor in terms of any given financial year. The SFU finds it difficult to believe that any responsible government could seriously recommend legislation of this kind to Parliament. In the first place, it is not possible to objectively establish the loss or profit on any branch line or portion thereof in any financial year. Second, even if it were possible to do so, profits and losses are normally assessed on the whole operation over a number of years. In the case of Saskatchewan, a series of crop failures would result in a reduction of grain traffic moving over Saskatchewan lines. The railway companies could, if they chose, claim that many branch lines were uneconomic if "actual loss" were to remain the principal criterion in determining whether a branch line is uneconomic. Yet we know from experience that these same lines could be used to maximum capacity if a period of crop failures were followed by a series of bumper harvests.

The Bill provides for a Branch Line Rationalization Authority. One of the functions of the Authority is to fix a date at which time rail lines, defined by the Board of Transport Commissioners as uneconomic, shall be abandoned. The Bill provides that the Authority shall take into account the following considerations in fixing a date for abandonment:

(*a*) The alternative transportation facilities available or likely to be available to the area served by the line;
(*b*) The period of time reasonably required for the purpose of adjusting any facilities, wholly or in part dependent on the services provided by the line, with the least disruption to the economy of the area served by such line;
(*c*) The probable effect on other lines or other carriers of the abandonment of the line or of the abandonment of any segments of the line at different dates;
(*d*) Any rule prescribed by the Authority for the orderly processing of applications for the abandonment of lines in the area served by the line or in surrounding areas;
(*e*) The feasibility of maintaining the line or any segment thereof as an operating line by changes in the method of operation;
(*f*) The feasibility of maintaining the line or any segment thereof as an operating line in the system of another rail carrier by the purchase or lease of the line to another railway company or otherwise, and
(*g*) The probable future transportation needs of the area served by the line.[2]

In other words, the Bill only provides for a consideration of such items as alternative transportation facilities, the social and economic needs of the com-

[1] This point is further developed in a memorandum to the Minister of Transport, May 13, 1964. See Appendix A.
[2] Bill C-120, Section 314-C (2).

munity, etc., in fixing the *date* on which a line or portion thereof shall be abandoned.

The Bill, however, determines the range of time within which the Authority may set a date for abandonment. Subsection 3 of Section 314C of the Bill states that the Authority may order the continued operation of an uneconomic branch line when it is in the public interest to do so. However, the Bill goes on to say:

> ...nothing in this sub-section shall be taken to require the continued operation of the line or any segment thereof beyond the 30th day of June, 1979.[1]

There is only one exception to this provision. Sub-section 5 of section 314-C provides that upon petition, the Governor in Council (i.e., the federal Cabinet) may stay the abandonment of a line after the 30th day of June, 1979, if they deem it to be in the public interest to continue the operation of the line.

If a railway company is required by the Branch Line Rationalization Authority to continue the operation of an uneconomic branch line, the company shall be compensated for losses incurred, the monies to be paid out of the federal treasury. In effect, the Bill provides that railway companies can operate profitable branch lines or portions thereof; they are not required generally to operate uneconomic branch lines or portions thereof; if, however, the Authority requires a railway company to operate an uneconomic branch line for a given period of time, the public shall compensate the company for any losses incurred.

The SFU finds these provisions of the Bill unacceptable. In effect, the Bill provides that alleged profits earned by railway companies on so-called economic branch lines shall not be made available to cover alleged losses on so-called uneconomic branch lines or portions thereof. The Canadian taxpayer will be required to cover these alleged losses out of his own pocket.

The SFU submits that the Canadian taxpayer already has a heavy investment in the railroad industry in Canada. In the case of the C.P.R., the Canadian public provided the Company with a cash grant of $25 million, and its choice of 25 million acres of land, including mineral rights, in return for the construction of a main line west, linking the unsettled prairies and the Pacific coast with the east.[2] In addition, the public has provided the C.P.R. with a cumulative grand total of $106,280,334 in cash subsidies and expenditures on construction, and a cumulative grand total of 43,962,546 acres in land grants.[3] These figures include the original grants in regard to the construction of the main transcontinental line in the 1880's, but do not include a federal grant of 53,580 acres and provincial grants of 8,150 made to the Company for right of way and station grounds.

The SFU strongly recommends that so-called economic branch lines or main lines be required to cover—in part, or insofar as is possible, in whole—alleged losses on so-called uneconomic branch lines. Moreover, in view of the heavy public investment in Canadian railways, we recommend that the entire railway system be rationalized, operated under one management, and run as a public utility.

Freight Rates

At present, the Board of Transport Commissioners is empowered to fix freight rates, and no railway company may publish a tariff of tolls which does not meet with the approval and regulations of the Board of Transport Commissioners.

---

[1] *Ibid.*, Section 314-C, sub-section 3.

[2] "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", *Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960, (Regina: Queen's Printer, 1961).

[3] "Canadian Pacific Railway Company, 1923-63", *Dominion Bureau of Statistics*, Table 3.

Section 15 of Bill C-120 repeals these powers presently held by the Board. The Bill simply requires railway companies to file their tariffs with the Board. The Board is only empowered to make regulations fixing or determining the time when, the place where, and the manner in which the tariff shall be filed, published, kept open for public inspection, amended, consolidated, superseded, or cancelled.

Section 334, sub-section 1, of the Act stipulates that unless otherwise provided for, all freight rates shall be compensatory. What does the Bill mean by compensatory freight rates? It defines it as follows in sub-section 2 of Section 334:

> A freight rate shall be deemed to be compensatory when it exceeds the variable cost of the movement of traffic concerned as is determined by the Board.

And in sub-section 3 of the same section:

> In determining for the purposes of this section the variable cost of any movement of traffic the Board shall (*a*) have regard to all items and factors prescribed by regulations of the Board as being relevant to the determination of variable costs; and (*b*) compute the costs of capital in all cases by using the costs of capital approved by the Board as proper for the Canadian Pacific Railway Company.

There are a number of exemptions to this general policy of determining freight rates. The most important one is the Crow's Nest Pass rates. There are in addition a number of general exemptions.

Sub-section 4 of Section 334 stipulates:

> The Board may disallow any freight rate that after investigation the Board determines is not compensatory.

and in Section 335, sub-section 1, the Bill reads:

> A shipper of goods for which in respect of those goods there is no alternative practicable route and service by a common carrier other than a rail carrier or carriers or a combination of rail carriers may, if he is dissatisfied with the rate applicable to the carriage of those goods after negotiation with the rail carrier for an adjustment of the rate, apply to the Board to have the probable range within which a fixed rate for the carriage of the goods would fall determined by the Board; and the Board shall inform the shipper of the range within which a fixed rate for the carriage of goods would probably fall.

and in sub-section 2 of Section 335:

> After being informed by the Board of the probable range within which a fixed rate for the carriage of goods would fall, the shipper may apply to the Board to fix a rate for the carriage of the goods and the Board may after such investigation as it deems necessary, fix a rate equal to the variable cost of the carriage of the goods plus one hundred and fifty per cent of the variable cost as the fixed rate applicable to the carriage of the goods in respect of which the application was made. (Hereinafter in this Section referred to as the 'Goods Concerned').

The SFU cannot accept those provisions in the Bill which exempt the establishment of freight rates from public regulation and control. The Crow's Nest Pass rates, once the cornerstone of national transportation policy, now become the *exception* to national policy. The fixing and determination of freight rates has been, by and large, taken out of public control and left to

the discretion of the railway companies. The SFU submits that the establishment of freight rates in Canada is too important a matter to be left to the pleasure of either the CNR or the CPR.

There is one final observation in regard to freight rates. Section 329 of the Bill makes provision for a federal subsidy to railway companies for any losses incurred in the movement of grain under Crow's Nest Pass Rates. This provision relates to claims made by the CPR before the MacPherson Royal Commission that the railway companies together lost some $70 million in the movement of grain under Crow's Nest Rates in 1958.

The Commission conducted its own inquiry and estimated that losses to the railway company in moving grain under Crow's Nest Rates were in the order of $23 million for the year 1958.

The Saskatchewan Wheat Pool has advised the Union that these alleged losses may be simply a function of the cost accounting techniques employed. The SFU joins the Saskatchewan Wheat Pool in rejecting the claims of the railway companies that losses are incurred in moving grain under Crow's Nest Pass Rates. Moreover, we support the Wheat Pool in their contention that a subsidy of Crow's Nest Rates, as proposed in Bill C-120, would place the continuation of those rates in jeopardy.

Recommendations:

On the basis of the arguments presented above, the SFU respectfully makes the following recommendations. Bill C-120 should be amended to provide for the following:

(1) A declaration that interprovincial transportation in Canada is a service industry, necessary to the well being of the Canadian economy;

(2) The establishment of a single government agency under the Minister of Transport, to co-ordinate, harmonize, regulate, and control interprovincial transportation, regardless of mode;[1]

(3) The provision of rail, and/or other transportation services on the basis of social and economic need for same:

(4) The provision of rail transportation services at cost;

(5) The establishment of a rail line rationalization authority under the jurisdiction of and responsible to the Federal Transportation Agency mentioned in (2) above; the functions of this authority to include:

(*a*) The consolidation and rationalization of all interprovincial railway systems in Canada (See (6) below).

(*b*) The maintenance of a research department, engaged in a continual study and examination of railway operations, the changing needs for rail service, investment priorities, etc.

(c) The processing of applications for either the abandonment of branch lines or the provisions of new rail service, these processed applications to be referred to the federal agency for decision.

(6) The nationalization of the Canadian Pacific Railway Company, and the integration of the CPR system with the CNR network (See (5*a*) above).

(7) The establishment, regulation, and control of freight rates by the federal agency mentioned in (2) above.

(8) The reaffirmation of the statutory Crow's Nest Pass Rates.

The Saskatchewan Farmers Union submits these recommendations in the hope that the Government of Saskatchewan will lend its support to the principles and proposals outlined in this brief.

All of which is respectfully submitted.

[1] The argument in support of this kind of federal transportation agency can be found in Appendix A, pp. 3-7.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 18

THURSDAY, MARCH 25, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

From the *Canadian Manufacturers Association:* Messrs. J. Mitchell, Chairman, A. R. Treloar, A. S. Marshall, W. J. Rae, R. E. Barron. From the *Branch Line Association of Manitoba:* Messrs. G. Jamieson, Vice-President, D. F. Rose, R. MacKenzie and Alan Scharth.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21829—1

STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard,

Vice-Chairman: Joseph Macaluso,

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Granger
Grégoire
Guay
Gundlock
Hamilton
Hahn
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Legault
Lessard (*Saint-Henri*)
Lloyd
MacEwan
Macdonald
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Orlikow
Pascoe
Prittie
Rapp
Regan
Rhéaume
Rideout (Mrs.)
Rock
Southam
Stenson
Stewart
Tucker
Watson (*Assiniboia*)—60.

(Quorum 12)

Marcel Roussin,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, March 25, 1965
(34)

The Standing Committee on Railways, Canals and Telegraph Lines met at 10:00 o'clock this day. The Vice-Chairman, Mr. J. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Berger, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Fisher, Forbes, Kindt, Korchinski, Lachance, Macaluso, Matte, Millar, Mitchell, Muir (*Lisgar*), Pascoe, Rapp, Rock, Southam, Stewart, Tucker (21).

In attendance: From the *Canadian Manufacturers Association:* Messrs. J. Mitchell, Chairman; A. R. Treloar, Managing Director; A. S. Marshall, Member; W. J. Rae, Member; R. E. Barron, Member. From the *Branch Line Association of Manitoba:* Messrs. G. Jamieson, Vice-President; D. F. Rose, Executive Director; R. MacKenzie, Executive Director; Alan Scharth, Q.C., Solicitor.

Also in attendance: Mr. H. B. Neilly, Chief Economist, *Railway and Highways Branch, Department of Transport;* Mr. K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company;* Mr. Alastair MacDonald, Q.C., and Mr. Walter Smith a representative from the *Canadian National Railways.*

The Committee resumed its consideration of the subject-matter of Bill C-120.

At the opening of the meeting, a discussion arose concerning the delay in getting a quorum. The Chairman informed the Committee that he would discuss that problem with the proper authorities.

After discussion about the opportunity of reading the briefs or to consider them as having been read,

On motion of Mr. Forbes, seconded by Mr. Stenson,

Resolved,—That the briefs be now read before the Committee.

The Chairman called and introduced Mr. Mitchell who read a prepared brief which had been distributed in English and in French to the Committee.

The witnesses from Canadian Manufacturers Association were examined.

The Chairman thanked the witnesses for their co-operation and they were retired.

Thereupon, the Committee agreed to have Mr. Jamieson read the brief of the Branch Line Association of Manitoba and have the examination of the witnesses postponed until the next meeting, later this day. (*See Appendix G for map attached to brief*)

At 12:20 p.m. the Committee adjourned until 3:30 p.m. this day.

21829—1½

AFTERNOON SITTING
(35)

The Committee reconvened at 3:50 p.m. The Vice-Chairman, Mr. J. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Armstrong, Berger, Boulanger, Cantelon, Cantin, Crouse, Deachman, Fisher, Forbes, Hahn, Lachance, Leblanc, Legault, Lessard (*Saint-Henri*), Macaluso, Macdonald, Millar, Muir (*Lisgar*), Orlikow, Pascoe, Rapp, Regan, Rock, Southam, Stewart (26).

In attendance: From *Branch Line Association of Manitoba:* Messrs. Jamieson, Vice-President; D. F. Rose, Executive Director; R. MacKenzie, Executive Director; Mr. Alan Scharth, Q.C., Solicitor; From the *Department of Transport:* Messrs. H. B. Neilly, Chief Economist, *Railways and Highways Branch*; K. D. M. Spence, Q.C., Commission Counsel, *Canadian Pacific Railway Company;* Walter Smith a representative from the *Canadian National Railways.*

The Committee resumed its examination of witnesses from the Branch Line Association of Manitoba.

Following discussion, there being no further questions, the witnesses were retired.

The Chairman informed the Committee that on Tuesday, March 30th the following witnesses would be heard:

The National Legislative Committee,
International Railway Brotherhoods, Ottawa.

Canadian Industrial Traffic League,
Toronto, Ontario.

Maritime Transportation Commission,
Halifax, N.S.

It being 5:05 o'clock p.m., the Committee adjourned until Tuesday, March 30, 1965.

Marcel Roussin,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 25, 1965.

The VICE CHAIRMAN: Gentlemen, we have a quorum.

Before we start the meeting I want to apologize to the delegation from the Canadian Manufacturers Association and to the Branch Lines Association of Manitoba for the delay in commencing. There are three committees sitting today, the Industrial Relations Committee, the Defence Committee and this committee. However, that is no excuse because this committee numbers 60 members and we only require a quorum of 12.

Mr. MUIR (*Lisgar*): Mr. Chairman, before you continue may I say a few words on the same subject? I think it is disgraceful that in a committee of 60 members we can get only 12 members here, 10 of whom are Conservatives. Half of the committee which is made up of 60 members consists of government members, and this is true of every committee in this house, and yet it is the opposition that has to make up quorums. I think it should be brought by yourself, sir, to the attention of the Prime Minister that his members are not doing their committee work. It is disgraceful that a group of busy men, not only including the gentlemen who are here as witnesses but members of parliament who have other work to do, have to sit around for half an hour just because the Liberal members cannot get their members to the committee. I protest very strongly.

The VICE CHAIRMAN: I sympathize with you this morning. As far as your comments are concerned I would say that we have had committees where there have been no members from all the parties present, Mr. Muir, and I think it is a pretty general statement which you have made but I have made note of your comments and I will see that the proper people are made aware of them.

Mr. KINDT: Mr. Chairman, I have one other footnote to add to this. Is it not possible for the government to appoint what you might call a schedule man from whom the chairman of committees could get permission to hold meetings so that this overlapping could be avoided?

The VICE CHAIRMAN: This has been a problem of all our committees, as you are well aware; this is an internal problem. That particular problem has been discussed.

Mr. KINDT: But you have done nothing about it. It is like everything else this government does, do nothing about it.

The VICE CHAIRMAN: I have to rule this out of order, Mr. Kindt. This is a biased comment and it is not my intention to be biased on this committee or on any other committee. I think we should proceed.

I want to introduce to you Mr. Mitchell, the chairman of the transportation department of the Canadian Manufacturers Association. Mr. Mitchell will introduce the other members of his delegation.

Mr. MILLAR: Who does Mr. Mitchell work for?

Mr. JOHN MITCHELL (*Chairman, Transportation Committee, Canadian Manufacturers Association*): I am the traffic manager of Dupont of Canada.

Mr. MILLAR: I have given you a little plug.

Mr. MITCHELL: I represent here the delegation from the Canadian Manufacturers Association in my capacity as chairman of the transportation com-

mittee of that association. I have with me Mr. A. S. Marshall, member of the committee, and Mr. W. J. Rae, also member of the committee. We also have Mr. A. R. Treloar, manager of the transportation department of the C.M.A., and Mr. R. E. Barron, assistant manager of the transportation department of the C.M.A.

The VICE CHAIRMAN: Gentlemen, as stated earlier, it was my intention to have the brief, which has been in our hands for over a week, taken as read and printed as an appendix to today's proceedings. However, I will leave this in the hands of the committee. If they will agree to this, I will accept a motion on this. If not, we will proceed with the complete reading of the brief, and Mr. Mitchell and his delegation are prepared to deal with the main points in the brief and be open to questions on the complete brief.

Mr. FORBES: I will move that the brief be read.

Mr. STENSON: I will second it.

The VICE CHAIRMAN: Motion agreed to.

Mr. CANTELON: Might I suggest that in future if briefs are in our hands for more than a day that they be taken as read?

The VICE CHAIRMAN: I think that is the proper course, that briefs should be taken as read if they are here for more than at least a couple of days. It is incumbent on all members to read the briefs before they come to this committee. The delegations go to a lot of trouble to prepare their briefs that are sent to us and copies are made of them both in English and French. I might add that the Canadian Manufacturers Association have prepared this brief both in English and in French and have distributed copies thereof. However, in the future I would hope the committee would take the briefs as read and then the delegation can deal with the highlights of their brief and be open to questions.

Mr. MITCHELL: Submission of the Canadian Manufacturers Association to the House of Commons standing committee on railways, canals and telegraph lines with respect to the subject matter of Bill No. C-120,

> to amend the Railway Act, the Transport Act, the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act

1. General Comments

The Canadian Manufacturers' Association welcomes the opportunity of presenting its views to your committee concerning the subject matter of the above-mentioned bill.

The Association is a non-profit, non-political organization of manufacturers, first joined together in 1871 to take concerted action on their common problems. The association's membership of over 6,000 is located in over 600 cities, towns and villages from coast to coast who produce about 75 per cent of Canada's total manufacturing output. It may be of interest to note that more than three-quarters of the association's member firms employ less than 100 persons.

The increasingly acute railway problem, arising from the growth of competitive forms of transportation in the post-world war II era, and which was brought into close focus in the report of the Royal Commission on Transportation, has centred attention on the need for remedial action.

It is the association's view that the content of the subject matter of the bill in question, designed to relieve the railways of burdens imposed by law and public policy and to materially modify the existing economic regulation relating to their freight and express services, constitutes a significant step in the right direction.

The forthright principles expressly set forth in the national transportation policy for the attainment of an efficient, balanced and adequate transportation system, are regarded as being eminently sound. The views and suggestions submitted by the association relating to particular aspects of the subject matter of the Bill in no way derogate from such principles.

2. Abandonment of Lines (Clauses 4, 6 and 7)

It is the considered view of the association that the rationalization programme of abandonment could be more efficiently and economically administered by a single body, the board of transport commissioners for Canada, in line with the administrative plans suggested by the royal commission on transportation for implementing its recommendations on rationalization of railway plant, appearing on pages 139 to 144 of volume II of its report.

In our opinion, the procedures prescribed in the above designated clauses of the bill governing applications for abandonment of lines, and the division of functions and responsibilities between the branch line rationalization authority, the board of transport commissioners and the Minister of Agriculture, as well as provisions for an appeal to the governor in council, unduly complicate the processing of such applications and would involve delays and additional expense by presenting opportunities for extending such proceedings over a period of years.

3. Provisions against unjust discrimination, preference and prejudice (Clauses 9, 10, 11 and 12)

The Association is in accord with the purpose of the bill to rescind the existing outmoded provisions of the railway act prohibiting unjust discrimination, preference and prejudice in respect of tolls and services which impose a restraint on the railways in exerting their maximum competitive potential.

At the same time, it is keenly conscious that, with the abolition of the sections of the act relating to such provisions, unlimited discretion will reside with railway management to stretch this new-found freedom to the other extreme of licence to discriminate with impunity between users of rail transportation whether or not such difference in treatment is attributable to competition of other carriers. In other words, while considerations of equity and fairness justify the removal of any legislative hobbles that restrain railways from competing with other methods of transport, it is quite another thing if, in doing so, the users of rail services are exposed to the whims of the railways as to whether they will favour one shipper to the prejudice of another shipper competing in the same market.

With the enactment of the changes proposed in this bill, rail carrriers are free, subject to the sole restriction that the rate must be compensatory, not only to meet competition but to make competition. If a railway, in order to capture the traffic of a particular shipper to a given market, chooses to undercut the rate of a competing mode of carriage to a level that the latter is unable to match but denies equal treatment to another shipper competing in the same market, the aggrieved shipper would have no ready recourse and might suffer irreparable harm. Invoking the provisions of the proposed new section 317 by way of a petition to the governor in council to institute an enquiry into alleged acts of the railways which prejudicially affect the public interest would afford a remedy which is too remote and time-consuming. Even in the case of an agreed charge established pursuant to the transport act, a shipper alleging unjust discrimination is afforded access to the board of transport commissioners, which is empowered to fix a rate on his traffic subject to the same conditions as attach to the agreed charge.

The association respectfully submits that there should be included in the amendments to the railway act a provision affording a remedy by direct

recourse to the board of transport commissioners to a user of rail transport alleging unreasonably discriminatory treatment by a railway if it is shown that this is not justified by competition or other conditions beyond the control of the railway.

4. Class Rates (Clause 17)

By this clause, section 332 of the railway act prescribing what the class rate tariffs shall specify would be repealed. Class rate tariffs are the medium employed by a railway for ensuring that it has a rate on file with the board in accordance with the railway act for any traffic that may offer for movement over its rails, and, generally speaking, represent the ceiling rates charged by a railway. Heretofore, tariffs publishing these class rates have, by statutory requirement, been published for all distances covered by the company's railway.

With the deletion of this requirement, the railways are given almost exclusive powers by section 326 to fix, prepare and issue tariffs, tolls and rates. Subsection (2) of this latter section provides that the tolls may be either for the whole or any portion of the railway. Literal compliance with this latter subsection, therefore, would be effectuated if the class rates were published for particular portions of the railway and, presumably, traffic offered for movement from one portion of the railway to another portion of the railway could be charged the sum of the individual local rates published for each portion of the railway traversed.

The association does not oppose the repeal of section 332 of the Railway Act but does submit that, in view of the special status of class rates, the present requirement that such rates shall be published for all distances covered by the company's railway should be continued. To this end, an amendment is suggested to subsection (2) of section 326 of the Railway Act, making it read: "The tolls may be either for the whole or any portion of the railway but freight tariffs publishing class rates as defined in section 331 of this act shall specify rates for all distances covered by the company's railway."

5. Ceiling for freight rates on captive traffic (Clause 19)

This clause proposes to introduce into the Railway Act a new provision, replacing the present section 335, that is designed to protect a shipper whose traffic is adjusted captive to the railway from being charged excessive rates by a rail carrier in the absence of competition from other modes of transport.

On the application of such a shipper, the board is authorized to fix, for the transportation of the designated traffic, a rate equivalent to the variable cost of carriage on the basis of carloads of 15 tons in standard railway equipment for goods of the type to be shipped, plus a mark-up of 150 per cent of such variable cost. Following receipt of notification from the board of the rate so fixed, the shipper then enters into a written undertaking with the rail carrier to ship the goods concerned by rail for a period of not less than one year at the fixed rate. Where the actual weight of the shipment is in excess of the minimum of 15 tons, an exception provides that the rate to be applied will be determined by deducting from the fixed rate an amount equivalent to 5 per cent of the variable cost in relation to which the said fixed rate was fixed, for each additional 5 tons by which the actual weight exceeds such minimum weight until a total weight of 30 tons is reached, and a further deduction of 5 per cent for each additional 10 tons by which the actual weight exceeds 30 tons until a total weight of 50 tons is reached, the rate for heavier weights remaining constant.

This provision introduces an innovation in economic regulation that is without parallel. For the captive shipper of goods normally moving in 15-ton carlots, the proposed basis for formulating the fixed rate may be found to afford

an acceptable measure of protection, but manifestly its validity as an adequate measure for even this limited application cannot be assessed in advance of the regulations to be issued by the board prescribing the items and factors that shall be deemed relevant in the determination of "variable cost".

Regardless of its propriety for captive traffic of the type mentioned, however, this association submits that the selection of a minimum weight of 15 tons in determining the variable cost of traffic of all kinds is quite unrealistic. A substantial portion of the traffic captive to the railways consists of bulk materials of heavy density with a loading capability of 70 tons or more per car. Weight is of particular significance in determining the variable cost of any movement, as of course, the more units of weight there are (whether it be expressed in tons or some other unit) over which to spread the variable cost, the less is the cost per unit. If, then, variable cost at the 15-ton level is appropriate as a base for determining the ceiling rate on a 15-ton load, why is variable cost at the 70-ton level not equally as appropriate a base for determining the ceiling rate on a 70-ton load?

Furthermore, the variable cost of carriage of particular traffic is uniquely important not only as establishing a price floor but also as a guide in determining the level of the specific rate which will result in maximizing the contribution to the overhead burden and consequently to the carrier's net income. This determination, of course, involves a matter of judgment as to the price sensitivity of demand of the particular traffic under consideration. Clearly the same considerations are pertinent in determining a price ceiling for any such traffic, if it is to be permitted to move at all.

We submit, therefore, that for regulatory purposes, the prescription of a mark-up of 150 per cent or any other uniform percentage, in relation to the relative variable cost for a car laden with 15 tons, to govern the determination of the upper boundary of the zone of reasonableness, would actually, in the guise of establishing mathematical accuracy, provide a misleading criterion if uniformly applied to all captive rail traffic. We are not aware of any mathematical calculation that has yet been developed which would be generally acceptable as an appropriate measure for determining the maximum reasonable rate for the widely divergent classes of traffic using rail facilities.

The association urges replacement of the provisions set out in this proposed section 335 of the act by an amended section giving effect in essence to the following:

> A shipper who is prepared to enter into a written undertaking with a rail carrier to ship all shipments of his designated goods by rail for a period of not less than one year, may, if dissatisfied with the rate applicable to the carriage of such goods after negotiation with a rail carrier for an adjustment of the rate, apply to the board to fix a just and reasonable maximum rate for the carriage of such goods.
>
> Where a fixed rate is made under this section the company shall file and publish a tariff of the fixed rate to become effective upon such date as the board may, by order or regulation, direct.
>
> The term "shipper" as used in this section is to be construed to mean a person sending or receiving or desiring to send or receive goods by means of any rail carriers to which this act applies.

6. Authority to agree upon and charge common rates (Clause 19)

Under the provisions of this clause, it is proposed to add a new Section 336 of the Railway Act, permitting the railway companies to agree upon and charge common rates.

It is the position of the association that, if this new provision is to be construed as including wholly owned or controlled trucking facilities of the railways, the proposed provision should be amended to specifically exclude such trucking entities from its operation.

7. Carriage of Her Majesty's Mail, Canadian Forces and Peace Officers (Clause 27)

The proposed new provision replacing section 356 of the Railway Act requires the carriage of Her Majesty's mail, members of the Canadian forces and peace officers by the railways at rates consistent with Section 334.

In order to ensure that such negotiated rates fully reflect the national transportation policy and to avoid placing any burden on other traffic, it is suggested that subsections (1) and (2) of this section be amended to read: "at such rates as may be determined by the board to be compensatory."

8. Other statutory provisions imposing an obligation on the railways not consistent with National Transportation Policy

The proposed legislation does not contain any amendment to the Railway Act implementing national transportation policy with respect to the obligation on the railways to provide free transportation to certain members of society, currently imposed under section 351. This obligation was commented upon by the royal commission on transportation, at pages 51-52 of volume I of its report, in the context of the principle urged throughout the report that carriers should be compensated for services which by statute they are obliged to perform.

It is the view of the association that this obligation to provide free transportation is similar to other burdens imposed on the railways which contribute to a misallocation of transportation resources and which the provisions of Bill No. C-120 are designed to relieve. It is therefore recommended that the above-mentioned section of the act should either be repealed or be amended to provide for the payment of compensation to the railways for services rendered under this section.

9. National Transportation Policy (Clause 1)

It is observed that this bill, in the form introduced, does not propose to incorporate the national transportation policy enunciated in clause 1 thereof into the Railway Act itself. As this policy represents a clear break with the past, it is regarded as important that it should be given prominence in the statute most vitally affected by this declaration.

The association accordingly recommends that this declaration of national transportation policy be incorporated as an integral part of the Railway Act. It is suggested that it might properly replace the statement of national freight rates policy at present appearing in section 336, which by this bill will be deleted.

All of which is respectfully submitted.

The Canadian Manufacturers' Association

The VICE CHAIRMAN: Do the other members of your delegation wish to say anything before the questioning begins, Mr. Mitchell?

Mr. MITCHELL: Yes. Mr. Marshall has something to say with respect to the ceiling for freight rates on captive traffic. As you could see in reading this brief, this is a rather involved section. Mr. Marshall is familiar with this aspect, and he is prepared to add something to the brief separately on this subject.

The VICE CHAIRMAN: Very well. Mr. Marshall?

Mr. A. S. MARSHALL (*Member of the Transportation Department, Canadian Manufacturers Association*): Mr. Chairman, and members of the committee: this is a matter of giving some illustrations of how this particular section of Bill No. C-120 would operate. The association recognizes that the section of Bill No. C-120 dealing with maximum rate regulation is designed for the protection of the captive rail shipper. We recognize that the formula incorporated in the bill was a faithful reflection of the express intent of the royal commission. On behalf of the many members of the association, who are indeed captive shippers, we sincerely appreciate the concern shown for the captive shipper by the commission and by the drafters of the legislation. However, we are convinced that the particular formula expressed in Bill No. C-120 entirely defeats the purpose for which maximum rate regulation is intended.

I will refer to and illustrate two of the main defects. Firstly, as stated in our brief, a very large volume of captive traffic is represented by heavy loading bulk materials, some of which are loaded in carloads of more than 70 tons. Iron ore is a good example. For several reasons, an arbitrary calculation based on 15-ton cars is completely useless as a base for calculating costs of moving traffic of this nature. Perhaps the easiest error for me to explain is represented by the fact that, for example, the Bill No. C-120 formula would require the board of transport commissioners to calculate variable costs of iron ore traffic as if it would require five times as many cars as would actually be used in the movement. This would not multiply variable costs by five, but the variable cost so calculated would certainly be a multiple of the true variable cost based on the actual shipping conditions. I will give examples later.

The other principal error in the formula is the requirement that a loading of 150 per cent be added to the variable cost in order to arrive at the fixed maximum rate. This might be appropriate in isolated cases, particularly high value commodities. But bulk shipments of relatively low value commodities could not possibly support such a drastic loading factor.

Perhaps the best recognized proof of this is in the recommendations of the royal commission itself with respect to export grain rates. They require as a standard to be used for loading over and above variable costs, amounts which represent about 24 per cent of variable costs in the case of the Canadian Pacific Railway and about 22 per cent in the case of the Canadian National Railways. Grain rates are, of course, a special case, but at least we are entitled to take it that the royal commission believed that the railways would be adequately reimbursed in the case of this particular capitve traffic by the payment over and above variable costs of about one-sixth of what was prescribed in Bill No. C-120.

I offer the following as examples of the compounding of these two erroneous factors, that is the 15-ton carload base and the 150 per cent loading on variable costs. Using the accepted railway costing procedures, estimates have been made of the application of the Bill No. C-120 maximum rate formula to three well established published freight rates for iron ore. Here are the results:

(1) A shipper whose established rate is $2.68 per net ton would be offered the protection of a maximum rate of $18.22 per net ton.

(2) A shipper whose established rate is $3.70 per net ton would be offered the protection of a maximum rate of $28.65 per net ton.

(3) A shipper whose established rate is $1.46 per net ton would be offered the protection of a maximum rate of $9.12 per net ton.

Allowance has been made in these figures for the discount for heavy loading allowed by the act which amounts to 25 per cent of variable costs.

Obviously the necessity to make the calculation as if five times too many cars would be used, compounded by the excessive loading of 150 per cent, makes the theoretical protection of the maximum rates absolutely meaningless in these particular cases. It is safe to say that the same would be true in greater or lesser degree in a vast volume of bulk commodity captive traffic.

The VICE CHAIRMAN: Gentlemen, I have Mr. Cantelon first on the list for questions.

Mr. CANTELON: I am very much interested in Mr. Marshall's comments on the effect of the maximum rate loading. I think that this probably opens a whole field of railway cost processes. I am particularly interested in them in relation to the rail line abandonment. It seems to me that we are faced with the fact that the board of transport commissioners, accepting the railway's cost figures, will decide whether a line should be abandoned purely on economic grounds. Am I right in thinking that you are quite in agreement with this procedure?

Mr. MITCHELL: If you are speaking on the question of the abandonment of lines in item 2, I take it you are assuming that the board of transport commissioners might come to a decision based on some other cost factors that we have been speaking about. Certainly this is the way the statute appears to read at the present time; that it would be subject to the branch line abandonment authority taking the matter up and taking into consideration, as the proposed bill indicated, a series of economic factors that might certainly affect the area in which the line appears to be served. As indicated in our brief, we feel that having the board do some work, having the branch line authority pick some other facet of this, then, in addition, having the Minister of Agriculture participate—and as we see it the proposal is silent on what factors the Minister of Agriculture adds to this, or what he considers—seems to at least create a certain amount of duplication and an expensive consumption of time in order to resolve a situation, all of which can be set aside if the matter goes to the governor in council.

Our recommendation is that because the board of transport commissioners have been participating in the subject of the abandonment of railway lines as far back as the early 1930's, they represent a valuable medium by which the whole subject could be taken up under review by one body. If in the light of the thoughts conveyed in this bill the board of transport commissioners may not perhaps have been doing some things as extensively in the past as would be desired in the future, it would seem they could be readily instructed and delegated to cover other areas of examination through the medium of the proposed bill. We would see no reason why additions to their facilities, could not be readily accomplished and a better result, a more integrated and a quicker result, achieved in the examination of proposals for the abandonment of branch lines or other parts of railway lines.

Mr. CANTELON: I understand that, but I think you missed the point I was trying to get at, perhaps owing to the way I phrased it. Of course, the present rationalization authority has no power to actually stop the abandonment; it can only hold it up for a period of time. It is compelled to accept the costing analysis that the board of transport commissioners suggest, and they in turn would actually be taking, I would think, the costing figures that the railway presents to them. Therefore, the sole factor governing the abandonment of that line is the costing processes that the railways apply to their decision whether it is an economic line or not. This is the point that disturbs me because it does not allow for any other factor than that. Your suggestion that there really be just one authority to do this one thing—the board of transport commissioners—still does not get away from what I consider to be a fault,

that the social background and the national need for these lines are not considered at all in the decision to abandon a line.

Mr. MITCHELL: Not apparently. I think this is right, although it is suggested that the branch line authority—and this is only in relation to fixing dates once the board of transport commissioners have said this was an uneconomic branch line and perhaps ought to be abandoned—can consider, as it says here, such things as alternative transportation facilities, a reasonable time required for adjusting the facilities, the probable effect on other lines, and the feasibility of maintaining a line on any segment as an operating line in the system of another railway; and, of course, the time element is in order to permit the realignment of organizations that are affected by the possible abandonment of the branch line. I do not think that our group would object—I rather suspect we would not—to any broader outlook, as you have mentioned, affecting the sociological problems that might be raised by the abandonment of a line.

Mr. CANTELON: You see, there is actually nothing in the bill so far that says there shall be rationalization of these lines; in order words, that there shall be an authority which would say that this line may be abandoned and this one kept in operation because it is necessary for the particular area.

Mr. MITCHELL: Except that the parts I was just touching on here, I think, come close to that, as I read them, such as the effect on nearby lines, whether they should, instead of being abandoned, be combined, and things of that kind. However, this is not in respect of whether the line should be abandoned; this decision will have already been established if the board of transport commissioners said it was an uneconomic proposition. All this does is to relate it to the time aspect; it does not influence the board's decision. If there were one body, you would perhaps not have this divided authority and divided areas of interest and there might be a better correlation of different interests. It might then be possible that the whole problem whether to abandon or not to abandon the line would not be a piecemeal operation but one that would be wrapped up, and it might then result in a different decision.

Mr. CANTELON: It might perhaps, but it still seems to me it leaves the two basic points, the one that you have emphasized and the point Mr. Marshall mentioned in commenting on the maximum rate load, namely that there are costing procedures in the railways that are not satisfactory. I am trying to make the point that there may be costing procedures in the abandonment of rail lines which might not be actually satisfactory either.

Secondly, there is really no rationalization but merely abandonment and there is no attempt to treat the matter from the over-all point of view. For instance, in my particular area this is particularly noticeable because the Canadian Pacific Railway so far has named no branch lines for abandonment so that we do not really know where we are. This is the point I am trying to make, that there is no real rationalization; there is just a policy for abandonment, not even a complete policy of abandonment.

Mr. MUIR (*Lisgar*): My questions relate to section 2 of your brief in which you are recommending that the administration be under one authority. I am wondering about this because actually under the bill the branch line authority is only a fact-finding body which recommends certain things to the board of transport commissioners which they can either accept or not accept. They, in fact, are the final authority which decides whether a line should be abandoned or should not be abandoned, if I read the bill correctly. It says, in clause 314B(3):

> Where, after verification of losses by the Board of Transport Commissioners for Canada, the board finds that a branch line is not uneconomic the board shall so report to the authority; if the board finds that the

branch line is uneconomic it shall similarly so report to the authority, and approval of abandonment for the purposes of section 168 is automatic.

I would think that if we are going to have a proper administration of the national transportation policy you cannot give to the board of transport commissioners something which is not in their field. If I understand their operations properly, they deal with the financial operations of the railways by setting up a branch line authority that could look at that particular area rather than at a particular branch line, which is what the board of transport commissioners are now doing. We have had piecemeal branch lines set up and this has worked hardships. I think that if you gave the branch line authority, the proper authority to look at an area and say "We will abandon, say, 30 miles of the Canadian Pacific Railways providing we can use 25 miles of the Canadian National Railways to make these two lines into an economical operation", it would be a practical way of doing this. I do not see the board of transport commissioners doing this.

Mr. MITCHELL: Our view was that they could be charged, under a modified bill, with this particular responsibility. They could acquire, if you like, the same kind of staff which the branch line authority has—these people are going to have to come from somewhere—if it were felt that the existing personnel of the board has displayed competence in this area for the last 30 years in considering branch line problems. Incidentally, in the past, the board of transport commissioners, in considering the problem of the abandonment of lines, have not confined themselves simply to the economics of that particular line. They have in fact based themselves on a system of rationalization, taking into account specific economics and sociological situations which, admittedly, are not laid down in the existing legislation but to which, in some measure, they have paid attention. This could be laid down, we believe, and result in an integrated and correlated examination of the abandonment of these types of facilities. We fail to see how breaking this up could achieve anything when we have an organization such as the board of transport commissioners.

Incidentally, I notice that some earlier witnesses have proposed the same type of thing. I believe one of the elevator groups proposed that there should be one group. This is in essence what our association suggests, that there be a single body. We happen to hold the view that that body might well be the board of transport commissioners for the reasons that I have suggested to you.

Mr. MUIR (*Lisgar*): You do not think there could be a division of the areas of influence where one group could look at the complete national transportation policy which would integrate the various transportation systems of the country, —that would include pipe lines, trucking firms and any other means of transportation—whereas the board of transport commissioners could probably look at the financial operations of these groups? Do you not think there is any difference there?

Mr. MITCHELL: If I have interpreted you correctly, I think the question of integrating for the purpose of providing service to an area, just thinking in terms of pipe lines or even highway transport, would require some other legislative changes to make it possible. Subject to having those legislative changes, I do not think it is beyond the scope of the board of transport commissioners to administer something along this line as well as some other board or separate group. Does that answer your question?

Mr. MUIR (*Lisgar*): The bill also says that one railroad may use the facilities of the other railroad. Would you not use a stronger word than "suggest" in order to have a proper transportation system across this country? From what I have heard I do not think the Canadian National Railways and the

Canadian Pacific Railway even talk to one another, so that to suggest that the Canadian Pacific Railway carry box cars from the end of the Canadian National Railways line is probably asking for something that is unrealistic.

Mr. MITCHELL: Perhaps the word used in the proposed bill is not even as strong as "suggest". It says that for that purpose it shall have regard to all matters that appear to the authority to be relevant, without restricting the generality of the foregoing. I am not sure how you can interpret the words "shall have regard". Perhaps they can be construed as meaning that all you have to do is to think about it. However, I might say hopefully, that on reading the whole sentence in its context it might be understood to mean that they not only have to think about it but we do trust they will do something about it. They may need some other powers to implement something here.

Mr. MUIR (*Lisgar*): I am wondering if we can ever have a proper national transportation policy. Mind you, I am not in favour of taking over the Canadian Pacific Railway. I believe in free enterprise. I do think, however, that if there should be a national authority which can say to these railways, "If we are going to allow you to abandon X line and make the saving that you are making on that at the expense of the influence you are going to have on that particular community", then I think there should be an authority that can say, "but you shall use part of another railway line".

Mr. MITCHELL: I do not think this does any violence to our association's thinking. We think there should be such an authority or a body, and we suggest it be the board of transport commissioners or any other group, in order to comply with the transportation policy as indicated in the preliminary part of the proposed bill. They should be invested with such authority as might be desired and as appears necessary to implement the policy in its various areas.

Mr. FISHER: Do I take it from your last paragraph under general comments that when you say "the forthright principles expressly set forth in the national transportation policy", you refer to what is in the preamble of the bill? Do you refer to that as the national transportation policy?

Mr. MITCHELL: Yes. In clause 1 of the bill it says:

> It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system.

Mr. FISHER: Do you feel that there is something different in the changes from what we have had, and from what would have been generally accepted in the past?

Mr. MITCHELL: We think that it does better. Perhaps we would like to think that that is what we are hoping to attain all the time. But at least on this particular occasion we believe it is well set out, and that it is something worth while to keep in front of us.

Mr. FISHER: Has the Canadian Manufacturers Association had any open discussions or arrived at its policy with regard to combines legislation and with regard to the building up of very large organizations in private industry?

Mr. MITCHELL: You ask if the Canadian Manufacturers Association has done this?

Mr. FISHER: Yes.

Mr. MITCHELL: I do not think I would be in a position to answer that. My association or relationship with the association is simply in the area of traffic work. It might well be that other segments of the association have some interest in the areas which you mention.

Mr. FISHER: These so-called principles of national transportation policy seem to rest on the general thesis of the royal commission as an ideal to which we have been moving, by attacking the changes, and setting a situation where we have competition between competing modes of transportation. This seems to have been made a cliché by the royal commission, within competing modes.

What I find difficult to understand is that when you have a kind of vertical integration with horizontal transportation such as the Canadian Pacific Railway, and the Canadian National Railways getting into a number of transportation fields, they almost cover the spectrum except for a very limited way with the pipe lines. And even there the Canadian Pacific Railway is a major holder in some of its investments in pipe lines. You have a situation where the outstanding private carrier in this country is involved in all these modes of transportation.

This makes it very difficult for me to see how the competing modes can really come into play. It seems to me that the idea of competition is one that you must get within any mode of competition. I do not see how this works in the case of other modes. I do not see how you can attain this aim when you have a transportation company operating in a number of fields. I was wondering what the Canadian Manufacturers Association attitude was about this.

Mr. MITCHELL: I think this is related to the aspect that we have raised. I would like to ask Mr. Gray to comment on it, and I refer to the court of appeal. It is because we have some reservations that competition will do all these things. Indeed, as a matter of fact, if you were to refer to volume II of the MacPherson royal commission report you would see they actually say this. They say that in Canada competition is not necessarily completely effective.

Mr. FISHER: It seems to me that when you take note of section 6 of your brief you speak of the variety of agreed and common rates. It seems to me that you are making it practical, and that this has flowed from your suspicions.

Mr. MITCHELL: That is right. We recognize that if it were commented upon or controlled as we suggest, it might have an effect on diluting the effectiveness of truck competition even if it is there. As you know, truck competition in a great many areas is a very effective medium today.

Mr. FISHER: Yes, but it is also quite apparent that both major railways have been quite effective in moving into trucking because of their capital resources which, in the case of the Canadian National Railways, are almost unlimited. The trend could go on in a remarkable way. I do not know if everybody is aware of the fact that I have met a number of truckers who seem to be almost waiting for the next bid from the railways. That was why I was wondering about the value of this competing mode argument. I wondered if the Canadian Manufacturers Association had ever considered that it might be better to advocate a separation of ownership, so that the ownership would be confined within one of the modes.

Mr. MITCHELL: We subscribe to a railway or any transportation organization for the purpose of a transportation job using whatever facilities it has or it may acquire, or that it may build or create. We think that competition is something highly effective. It happens that a great many rates today are based exactly on the efficiency of the trucking companies to compete. But we do not think that in this country it is a cure-all; hence our comment that at some point of time, while wishing the railways to keep as much freedom as possible, we should have a court of appeal, just because we cannot be sure.

Mr. FISHER: In other words, despite your faith in competition in transportation, and in a national transportation policy, like many other organizations you want to have a strong regulatory or examining authority in the field?

Mr. MITCHELL: To the extent that something gets out of hand that is prejudicially unfair and discriminatory, we want to have a policeman on the corner. We want to have somebody to go to talk to who is an arbitrator or mediator, or someone who will listen and perhaps see the situation more objectively, because the other two parties are highly interested ones. They might get emotional, or something like that. I wonder if Mr. Gray has something to add.

Mr. W. J. GRAY (*Member of the Transportation Committee, Canadian Manufacturers Association*): Please carry on. Your answer is quite all right to the particular question.

Mr. FISHER: You are aware that the royal commission report suggests the setting up of a national transportation authority which would be detached from the board of transport commissioners in its work as a policy making group. Did you consider at all making a recommendation or a comment on that part of the royal commission report?

Mr. MITCHELL: Yes. This has been talked about, but we have taken no action.

Mr. FISHER: Is it fair to ask you why you decided to let it go?

Mr. MITCHELL: We were merely concentrating as far as this group before you is concerned on the essentials of the proposed bill, Bill No. C-120.

Mr. FISHER: It seems to me this is a very important point that your organization has. Some of us are critical of the bill for failing to carry out what we consider to be the main recommendation of the royal commission. It is important for us to know what an organization of your strength feels about that particular part. It seems to me that the bill—and I am speaking somewhat critically—is an inadequate crystallization of what was in the minds of the royal commissioners just on that particular point.

Mr. MITCHELL: We did realize that as far as it went it did not encompass all the recommendations of the royal commission. But I cannot answer your question about how far we have thought. We have given it some thought, but at the moment we have concentrated simply on the bill. We recognize that there are some areas which are not covered. Within the bounds of probability, in the process of time, the Canadian Manufacturers Association may well be given consideration to those other areas, and we may be making appropriate recommendations at the proper time.

Mr. FISHER: It seems to me—and this may be just my own impression—the government has intimated that it will be bringing in a much revised bill which will properly reflect some of the suggestions being put forward.

Mr. A. R. TRELOAR (*Manager, Transportation Department, Canadian Manufacturers Association*): Perhaps I might clarify the position of the association in this respect. It is simply that when this bill was introduced, the Minister of Transport indicated in the house that this bill would not give effect to all the recommendations of the royal commission, and that the bill would keep certain features in reserve and would not deal with transportation by motor truck and other matters which appeared in the report. So we felt that it would be somewhat premature if we tried to jump the gun. We thought it preferable to let the government decide what should be in this bill, and we are willing to wait until it brings forth its proposals, at which time we will comment on them.

Mr. FISHER: Let us say that there are negative sections to this bill which affect to quite an extent the area which I represent. I refer to the bridge subsidy, and the fact there was a recommendation that it be abolished. It has been abolished, and this bill has some effect on the shippers in that region, particularly between Sudbury and Kenora, and particularly north of the line

of the Canadian National Railways, and a little less so to the south of that line. You have the comment that you feel that the decision to abolish the bridge subsidy ties in with the purposes of the national transportation policy as set out. I am curious to know whether you received representations from that area from some of your members about what effect this might have on their position.

Mr. TRELOAR: Oh, yes, we have had communications from various parts of our organization. You can easily see that our members in British Columbia would desire to ship into the prairies in competition with a man in the east, and that they are delighted to get rid of the bridge subsidy. Therefore, if you have a split division within your organization, you are not the most impartial party to advance their views.

Mr. FISHER: That is a good explanation. In terms of the captive area, you have a recommendation which interests me, because it will offer some protection. I would like to ask the gentleman who gave us the rates on iron ore whether he had any practical discussions with shippers such as Inland Steel or Steep Rock Iron Ore, which is shipping to Vancouver from the lake head?

Mr. MARSHALL: I am not quite sure how broad your question is.

Mr. FISHER: You gave us an indication through some iron ore rates of what would be the consequence and effects of the formula set up to determine what the charges should be. Does this tie in with some actual rates which are in existence at the present time?

Mr. MARSHALL: Oh, yes. The rates which I cited were all published rates which have been in effect for some time. The costing which was done was simply to apply the formula of Bill No. C-120 to the same existing rates to compare the maximum rates with the existing rates. But they are all well established rates.

Mr. FISHER: Let me give you an example which has developed over the years. I refer to a dispute which has gone on between Steep Rock Iron and the Canadian National Railways. Steep Rock at one time even talked about building their line down through the United States to water. There have been all kinds of arguments and pressures developed in the case of Steep Rock, who always argued that they had to regard their condition vis-à-vis the American shippers in the matter of truck competition. Did you consider at all that one of the criteria which might be considered would be competitive rates on the other side of the border as a factor in determing what we should charge?

Mr. MARSHALL: Well, that was not taken into consideration in this particular case. It is true though that there would be some cases where competitive rates south of the border might be effective competition; and there are cases—but not too many—because of the longer routing, which would apply in many instances between two border points, which might be practical, but in a great many instances it would not represent practical competition.

Mr. FISHER: In terms of a captured area, and the problems of a captured shipper, this particularly applies to the shipping of bulk commodities such as iron ore, lumber, pulpwood, and things like that. I like your recommendations but they seem in a sense to be very brief and very general. I wondered if you could possibly at some future time provide this committee with some more examples to reinforce the arguments put forward. This is one of the things which is of great concern to an area which has in a sense a great deal of captive traffic, and it is vital. I am glad you are attacking the formula, but I would like to see a more detailed case presented. It seems to me that you have the kind of organization that has the best resources to do this.

Mr. MARSHALL: I think some detailed information could be given to the committee. I am sure that there are many other examples. These just happened to be three of them. I am sure there is more information available.

Mr. FISHER: Did you find that there was considerable concern about particular sections of the bill among your members?

Mr. MARSHALL: Yes, primarily.

Mr. FISHER: Has there ever been any discussion or consideration by your association at any of its meetings concerning the question of the subsidies structure built into this new bill? I notice in effect you have much comment on the bill on what is one of the most criticized aspects, and that is the very large scale subsidies which have been injected into it, over $100 million, by some people over the next number of years.

Mr. TRELOAR: When you mention $100 million, I can only assume that you mean all the subsidies.

Mr. FISHER: Yes, piled all up.

Mr. TRELOAR: We recognize that this is in accordance with the principle of the national transportation policy. If we are going to require a carrier to provide a service which is going to involve a loss, then we are going to have to reimburse him if we insist upon his providing that service at a statutory rate level.

Mr. FISHER: You recognize that this shoots holes completely in the whole idea of a national transportation policy having in view a normal competitive set-up.

Mr. TRELOAR: I do not feel that it would follow if you are going to pursue a policy that would leave various forms of transportation without restraint. You certainly will not get such a situation, where a carrier, knows that he is performing a service at less than cost. He is not getting a new dollar for an old dollar in that respect. But we are fully in agreement that competition is the sole factor in determining or getting the most efficient allocation of our resources, and we think that principle should be carried out right through.

Mr. FISHER: It breaks down in a number of cases because it just is not practical in terms of general policy, such as in the case of the Maritime Freight Rates Act, and situations like that.

Mr. TRELOAR: Yes, we recognize that that is part of the national policy, and we recognize why it was one of the terms of their coming into confederation. But this has to be put into a separate class. You have to give something to each part of the country.

Mr. FISHER: You have consideration for the captive shipper, where he needs some kind of assistance?

Mr. TRELOAR: Yes.

Mr. FISHER: And you know of special situations in regard to rail abandonment because of the social problems, and with regard to wheat raisers, because of the particular and additional protection offered them by the Crowsnest pass rates. But whetn you add up all these things, where are you left in terms of the ideal picture of competition and of competing modes? It would seem to me to enforce the idea that you have to have continual appraisal going on all the time to review changes in national transportation, and that there should be a policy making group looking at the whole picture.

Mr. TRELOAR: In the past the railways have taken, as you know, past usage as an instrument of national policy in the rate structures and in the matter of providing rates. In the generation in which they operated at that time this was a phenomenon. This means cross-subsidization from one service to another across the system. As long as this could be carried on within a

semimonopolistic situation, we were agreeable to it, but it was an unbearable burden on the freightpayers.

Then with competition coming into the picture, and the freightpayer in addition having to bear his contribution to overhead on this unprofitable traffic which was carried because of national policy, it meant that the rates were raised very high because of the deficits incurred on the passenger system and all the rest of it. Then the railways said that they could not get the traffic. Then other means of transportation came in and walked away with the traffic under this umbrella. So you have to have a new policy which is based on competition. If we start with a transportation policy which will carry the traffic at a price which will suit the shipper, then others will have to follow it.

Mr. FISHER: The whole policy is severely limited by these other factors that you mentioned.

Mr. TRELOAR: Yes. These items, as you say, have had an effect on national policy, and you have to take care of them in some way or other. That is true.

Mr. FISHER: Has this analysis that arises from the policy aspect of the bill led you to make any decision, or to make any comment on the financial position of the private company within the field, such as that of the Canadian Pacific Railway, in relation to asking for separation, let us say, of its railway functions from its mining or investment holding functions, in order to give the transportation authority a clearer picture of what is profitable, or what should be the real rate situation? I bring this up because in essence I wonder whether the situation of the Canadian Pacific Railway, with its great number of other interests, does not confuse the picture on the railway side of its operations.

Mr. TRELOAR: In response to this we felt that this particular situation would be adequately taken care of under the provisions of this proposed bill which directed the board in respect of the classification of accounts, and the different functions performed by the railways, so that they would be stated separately. We felt that they would not be able to combine and subsidize one part of their corporation from the earnings of another part of their corporation, let us say.

Mr. FISHER: That makes sense from the point of view of the rate part, but it does not make sense in terms of the complete financial picture, let us say, of the Canadian Pacific Railway which is a private situation, and I refer to the price of its shares. I am curious about the fact that ever since this bill came out in detail the price of Canadian Pacific Railway shares has been going up. There may be other factors involved in it, but one is led to the conclusion that this looks like a pretty nice package for the Canadian Pacific Railway as a corporation. I wonder.

I am thinking about it from the point of view of a shareholder. I admit that the way in which you approach it, from the point of view of a shipper, or of that of a company shipping goods, gives you a clearer basis. But what about these other factors. When the payments come in, and when the subsidies come in from these other sections, it seems that they are very valuable to the company and not just to its raliway operations.

Mr. TRELOAR: Actually we did not regard it in that way, or we would have bought some of their stock.

The VICE CHAIRMAN: I have Mr. Southam, Mr. Millar, Mr. Muir, and Mr. Stewart.

Mr. MILLAR: In line with Mr. Fisher's questioning I would like to ask Mr. Treloar if his association would suggest that the subsidy which is put in should be shifted from the freightpayer on to the taxpayer as a general government subsidy?

Mr. TRELOAR: That is what it amounts to.

Mr. MILLAR: Is it not a fact that the taxpayer is now paying the freight rates, as you people all know? It is the same "guy" is it not, regardless of where he ships it?

Mr. TRELOAR: That is true. But what is proposed in this bill has the advantage of being only a temporary situation in respect of most of these subsidies. In five years we shall start to get to the end of the road.

Mr. MILLAR: That is cheerful thinking, and I will go along with it.

The VICE CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: First I would like to compliment the Canadian Manufacturers Association for their very brief and concise submission to the committee this morning. But that does not mean that I agree with all their observations. I feel for instance by way of general comment that you should really attempt to meet the problems of the railroads themselves. My remarks will be brief because Mr. Muir, Mr. Cantelon, and Mr. Fisher have pretty well covered the waterfront here. I do appreciate the forthright answers you have given to Mr. Fisher. I feel that the whole problem before the committee of course is based on the recommendations contained in the report of the MacPherson royal commission. Naturally there is some reservation on the problem of freight rates, and there is a larger section on our pipe lines. I am thinking particularly of western Canada, where we are concerned with some of the provisions of the bill. I notice that you put quite a little emphasis upon captive freight rates, and methods of accounting. May I ask Mr. Marshall if it is his opinion that these cost accounting formulae are properly related to this whole problem, or should we go into it a little more thoroughly? I have been listening to witnesses from several other interested groups who have presented briefs to our committee and this seems to be one of the general topics of discusion, whether the criteria used in the cost accounting formula are right.

Secondly, I notice in the last paragraph of section 2 in your brief you say:

> The branch line rationalization authority, the board of transport commissioners and the Minister of Agriculture, as well as provision for an appeal to the governor in council, unduly complicate the processing of such applications and would involve delays and additional expense by presenting opportunities for extending such proceedings over a period of years.

I agree with this. I think this is one of weaknesses of the bill, that we pay lip service to this authority you referred to which we all agree should be in this legislation, but under the present bill this rationalization authority has not got sufficient authority to make recommendations that we feel should be made. On the other hand I agree with you there should not be a number of bodies.

Would you suggest that the board of transport commissioners should be enlarged? This is not a critical comment of the present board. This board has, over a period of years, until this problem has become acute, done an excellent job, but during the course of processing various applications and arbitrating between railroads and the general public as far as the rail line abandonment is concerned, they have set a pattern, and possibly their hands would be tied if you just left them with no more authority. Should we enlarge this body?

You mentioned the Minister of Agriculture. I am not sure the Department of Agriculture would be the right department. I feel here that the Department of Transport should be the department most interested here. I realize the interests of the Department of Agriculture in this matter and that it should

have a lot to say on the subject of the rationalization authority. What would you suggest would be the proper division of authority?

Mr. MITCHELL: I believe I have attempted to answer that question when I was answering a question from a member on this side of the room. If, as the result of the representations made before this committee by this association and others, that you will be hearing from, a set of criteria is established and if, in the implementation of this criteria, the present board of transport commissioners organization is efficient, we feel that this could be very readily supplemented where necessary by additional competent staff from whatever source to enable them do do an over-all job which, we suggest, is better done by one body than by the several people who participate in the decisions, as the proposed legislation suggests. Before we see the language of the new statute and look closely at the organization of the board of transport commissioners it is difficult to say that they have not got the tools, the people and the organization to handle this. However, to the extent that it could be determined that they do not, we do not envisage there would be a real problem in augmenting the board to do the job properly.

Mr. SOUTHAM: Up to the present time the board of transport commissioners have been almost autonomous or supreme so that the only appeal which you could make would be to the governer in council. This has boen done on various occasions, although it was rarely done, and when it has been done, in most cases the governor in council has left the decision to the board of transport commissioners. Do you think there should be some further enlargement of this privilege to appeal a decision, the final authority to be the rationalization authority of the board of transport commissioners?

Mr. MITCHELL: Perhaps it should be left, as is presently shown here, to the governor in council. We have suggested that there should be an appeal to a tribunal. In this case we recommended the board. Should the railways have complete freedom to set rates we feel we would like to talk to someone else. If a board, were it the board of transport commissioners or someone else, were set up to look at the rationalization of rail lines, this would not preclude a further appeal to the governor in council. I think this would depend, to a large extent, on whatever the new statute said, what criteria it set out and how broad it was. This would set the stage for the real need of an appeal or lack of it as the situation was determined. I do not think that if there was a single board, as we recommend, this would preclude a final examination by, let us say, the governor in council.

Mr. SOUTHAM: I would go along with that. Most of the western members have felt that the present legislation under Bill No. C-120 was stacked in favour of the railroads. I have been under the impression that in your comments regarding the captive freight rates there was some query in your mind whether this formula of cost accounting was proper, and that you felt there should be broader terms and more representation on this committee to get the various points of view. I agree with you that this over-all authority should be single but that it should have wider powers and more authority to make these decisions.

What is your answer to my first question? Are you in favour of the present criteria that the railroads used by and large in presenting their case as they did, say, before the MacPherson royal commission, or do you think that this formula might have been favouring the railroads and not the general public?

Mr. MITCHELL: You are speaking about their costing formula I understand. I am sorry, we did not examine that. This is a rather involved matter. In general, the board of transport commissioners, when considering the general rate cases that have come before it, have been able to comment and to look at the railway

costing processes much more effectively than a group or an association such as we are.

Mr. SOUTHAM: This has been the basis of a lot of comment in the previous testimony. I wanted to hear what you think of this.

Mr. MARSHALL: Perhaps I might clarify this matter if what you referred to was the information I gave. I should make it clear that costing by the railway had no part in any of the comments that I made. It did not, to the best of my knowledge, enter into our analysis of the formula of Bill No. C-120.

The VICE CHAIRMAN: What Mr. Southam meant, I think, was that there were references in other briefs to how the railways arrive at the cost of abandonment of lines. He did not refer to your brief.

Mr. SOUTHAM: I am putting you people in the same position as the people who represent a wide section of our population, particularly the manufacturers. Mr. Fisher has brought out the point that it would be interesting to examine the formula which the railroads had presented to the MacPherson commission which has a bearing on the over-all picture. When you see the Canadian Pacific Railways stocks going up, it appears that they are not losing too much money under the present set-up. I do not say we should not have rail line abandonments, but it has to be done on a rationalized basis. According to the present bill this rationalization authority does not satisfy the interests of Canada. I wondered how you felt about it.

Mr. TRELOAR: The opposing parties, whether they be farm unions or others, should have an opportunity to appear before the board to put forth their views on the formula to be used in determining whether this portion of the railway is actually being operated at a loss or not. I think you will appreciate there is no standard definition by economists of what particular costs should be used in different situations. I think you will readily appreciate that the formula they use for determining maximum rates would be entirely different to what they would use in case of abandonment. When you are determining costs with respect to maximum rates you are dealing with a long term condition; it is an element of time. You get different costs the more you lengthen that time. Therefore, as I say, I think we are all in perfect agreement that there should be a specific provision in this bill giving an opportunity to the various interested parties to appear before the board and to present their case regarding what costs should be taken into consideration.

Mr. MILLAR: I would like to refer my question to Mr. Marshall. When you were discussing captive freight rates you used the figure of 15 ton loading as against 70 ton loading. Are you not using two extremes and is not a 70 ton loaded car unusual? I am thinking of general freight, not in reference to iron ore. Are you using iron ore in reference to your own particular case as well?

Mr. MARSHALL: I think our brief states that a good deal of captive traffic is in the form of bulk material, and certainly a 70 ton car is not at all unusual. Car loadings can go up to 100 tons for this type of loading. Seventy tons may not be the average, but certainly the tendency is to much larger cars, particularly if they are going to be loaded with as much weight per car as possible.

Mr. MILLAR: But does this formula not also apply to other types of merchandise? Captive shipper really only refers to somebody in an area who can only use the railroads. Is my interpretation correct?

Mr. TRELOAR: I do not think that is the intention of the bill at all, and certainly it was not the intention of the royal commission. The reason why the commission developed this formula is to outline more clearly what is an effective rate.

Mr. MILLAR: What is a captive shipper?

Mr. TRELOAR: A captive shipper is anybody, in any section of the country, whose traffic is of such a character that it is uneconomical to move it by any other form of transportation than by rail.

Mr. MILLAR: This is essentially what I understood a captive shipper to be. Therefore, why should a 70 ton figure be used in criticizing these rates? It might be a 20 ton load.

Mr. MARSHALL: I think, Mr. Millar, I have qualified what I said by saying that the formula could work in certain cases where a 15 ton load was average for that particular traffic, but the examples I gave were of the other type of loads. Our brief states that a good deal of captive traffic is of this heavy loading type, so that specifically the formula will not work by a very wide margin for this type of traffic. The formula will therefore not cover the whole field.

Mr. MILLAR: What you are objecting to is a 15 ton load formula applying to a 70 ton load. Is that right?

Mr. MARSHALL: Yes.

Mr. MILLAR: I have a couple of other items on which I would like to question you. On page 6, section 8 of your brief you say:

> The proposed legislation does not contain any amendment to the railway act implementing national transportation policy with respect to the obligation on the railways to provide free transportation to certain members of society, currently imposed under section 351.

I presume you gentlemen are aware that each member of the House of Commons carries a free railroad pass in his pocket. I see there is no comment. We feel that all we are doing is cutting down the subsidy which the government gives to the railroads each year.

That is all I had to say, except that I would like to suggest to the delegation that they opened a large field of discussion when they made this reference to rail line abandonment. The delegation will probably appreciate our position much better if they stay to hear the brief of the next delegation.

The VICE CHAIRMAN: I was going to mention that we still have with us a delegation from the Branch Lines Association of Manitoba. It is a quarter to twelve. Usually we adjourn at 12.30. However, I thought that if there are not too many questions left, we could hear the presentation of the brief from the Branch Lines Association of Manitoba and then this afternoon we could proceed with the questioning. It is not a very long brief.

Mr. MUIR (*Lisgar*): Mine is a very short question, Mr. Chairman, as a matter of fact it is for clarification. Mr. Mitchell, when you and I were speaking we were using different words. I have now found the right section of the bill to which I referred, and I believe you were using words out of the royal commission's report. I would like to ask you a question in this regard. I am going to read a very short paragraph from the bill in connection with the word "recommend" which I used. It appears in page 9 of the bill, clause 314D(1).

> In the exercise of its duties under section 314C the authority may recommend to railway companies the exchange of branch lines between companies by lease, purchase or otherwise, the giving or exchanging between companies of operating rights or running rights over branch lines or other lines of railway, and the connecting of branch lines thereof with other lines of the company or another company.

My question is this: Do you consider this particular clause in the bill to be broad enough to bring about a proper national transportation policy?

Mr. MITCHELL: Do you mean the word "recommend" is hardly strong enough?

Mr. MUIR (*Lisgar*): Yes, because if you are only going to recommend and the recommendations are not taken into consideration, then I think the purpose would be defeated. Would you agree with that?

Mr. MITCHELL: Let me say that it could be defeated. We have considered at different times whether we should make changes in wording in some instances, and we have refrained from doing this. This would take us out of the traffic field and into the field of the legislator. We felt we should express our various points of view. I would presume that as the result of this hearing the mere recording of this exchange between us, Mr. Muir, raises the point. We are talking about the subject matter of the bill and to that extent the drafters of the bill would take cognizance of this and consider whether or not the word "recommend" was adequate or suitable and if there are any teeth elsewhere in the bill to implement such a recommendation.

Mr. MUIR (*Lisgar*): That is the reason I brought it up.

Mr. STEWART: I will not detain the committee long. We have before us a brief that is very terse; it will serve the requirements of a brief.

I would like to ask if I am correct in assuming that the Canadian Manufacturers Association includes within its membership manufacturers in the maritime provinces of Canada.

Mr. MITCHELL: Yes, it does.

Mr. STEWART: Then I would like to ask if the maritime shippers having loading commodities have made representations through the procedures and processes of your association concerning the proposed railway legislation.

Mr. TRELOAR: No, we have had no specific representations from the maritime members. I think it is generally known that maritime shippers rely primarily on the maritimes transportation commission to present their co-ordinated views as the views of the Atlantic provinces.

Mr. STEWART: Earlier Mr. Treloar made reference to the confederation agreement and the Maritimes Freight Rates Act. I would like to ask if the representatives of the Canadian Manufacturers Association think that the payments now made under that statute are to a reasonable degree fulfilling the purposes set forth in the Duncan commission report as embodied in the 1927 act.

Mr. TRELOAR: The only way I could answer you, Mr. Stewart, would be to say that agreements which are being made under that statute are in accordance with the purposes of the anactment of that statute, but owing to conditions which cannot be controlled by statute or anything else they are not working as effectively as they did when that statute was enacted.

Mr. STEWART: It is sometimes said, Mr. Chairman, that the temporary effect of the act is really to provide a subsidy to the railway rather than assistance to the maritime shipper. Do you agree substantially with that analysis?

Mr. TRELOAR: I think it is working out in favour of the railways today inasmuch as there is competition introduced into the situation under the current conditions and you are not getting the effective use of truck competition that you would if you did not have such a statute.

Mr. STEWART: In other words you think the maritimes would be better off if the Maritimes Freight Rates Act were repealed so as to allow truckers to compete equally with the railroads. Would you agree with that?

Mr. TRELOAR: Absolutely.

Mr. STEWART: Would you agree with that on behalf of the Canadian Manufacturers Association?

Mr. TRELOAR: My answer would be that if you give a subsidy to one form of transportation to meet certain conditions, then, if you wish to enable a new form of transportation to develop properly, you have to give it an equal subsidy.

Mr. STEWART: Then your answer is that you are proposing subsidies for the trucking companies within the maritime provinces.

Mr. TRELOAR: Not within the maritime provinces; I was speaking of outbound traffic.

Mr. STEWART: All right, you are proposing that outbound trucking companies should have a comparable subsidy. Is that correct?

Mr. TRELOAR: Yes.

Mr. FORBES: I have one brief question on clause 2. I know you have endeavoured to answer this question this morning but it is not quite clear in my mind. Could I suggest to you a question by a supposition? Supposing there was an application for the abandonment of one of those branch lines on this map and the rationalization board said "no abandonment". Supposing then the board of transport commissioners came along and established a compensatory rate for the railways which would make it prohibitive as far as the shipper was concerned. Is this your reason for the recommendation?

Mr. MITCHELL: I am not sure that all is as you said. If there was no abandonment recommended, I do not think this would affect the rates because the board is merely there to determine the actual losses. As we read clause 314B(1)(*a*) it is said, "If the board is not satisfied, on the basis of the actual losses and such other factors as in its opinion are relevant, that the line is uneconomic, the board shall report the same to the authority".

Therefore, a new action would be taken. They would be speaking about the line as we see it at this point in time. Presumably the rates in effect at that time are contributing sufficiently to the welfare of the railways so that the branch line might not be abandoned because it is, shall we say loosely, paying its way. I do not think this necessarily brings in its wake an increase in rate.

Mr. FORBES: I hope they will not look at it from the point of view of loss or profit to the railway but from the point of view of the economic position of the service in regard to the community. This is where they will decide not to propose an abandonment and the railway will say "We will take a loss on this operation, so we must have an increased rate". I thought this was the idea you had behind this recommendation.

Mr. MITCHELL: I do not think so.

The VICE CHAIRMAN: Gentlemen, I want to thank Mr. Mitchell and the members of his delegation of the Canadian Manufacturers Association for being with us this morning. Again we apologize for delaying you an extra half hour. I think I can express the feeling of the committee in telling you of our appreciation for, as Mr. Stewart said, a very terse, concise and factual brief.

Mr. MUIR (*Lisgar*): Mr. Chairman, having regard to the fact that this is a long brief, would it not be just as well to have it read at a subsequent meeting so that we could then go right into it?

The VICE CHAIRMAN: It is not a long brief. I think it would be faster to get it read now. We usually adjourn at 12.30, and it could be read in less than half an hour. I think this would leave us more time this afternoon, because of the question period in the house, and the fact that we do not usually get started at 3.30. Sometimes it is after four o'clock. If we had the brief read now, it would then give us some time to study it and prepare for our questioning on it this afternoon.

Mr. MUIR (*Lisgar*): Very well.

The VICE CHAIRMAN: We have with us Mr. Gregor Jamieson, who is vice president of the Branch Lines Association of Manitoba. He will introduce his delegation.

Mr. GREGOR JAMIESON (*Vice President, Branch Lines Association of Manitoba*): Mr. Chairman and members of the committee, at the outset I would like on behalf of the farmers and rural people of Manitoba to express our appreciation for the opportunity to present this short brief to you this morning. The members of our delegation, Mr. Chairman and gentlemen, are Mr. Bruce MacKenzie, the Reeve of the Municipality of Morris, which is south of Winnipeg; and next to him is Mr. D. F. Rose, past president of the union of municipalities and presently a member of the executive of the Branch Lines Association of Manitoba; and sitting to my extreme right is Mr. Allan Scarth, Q.C., solicitor for our association.

Now, just a word of explanation: you will notice in the first sentence of our brief that it was to be presented by the president, Mr. Remi De Pape. I am sorry to say that he cannot be with us today because of illness in his family. So it falls to my luck to make this presentation for him. We would like to have Mr. De Pape with us because he is not only bilingual, but also trilingual. Some people might have appreciated this fact. I shall be presenting this brief on his behalf and on behalf of the Branch Lines Association of Manitoba.

How the association was formed

In 1963, when the danger of the wholesale abandonment applications by the railways began to be recognized in the farming communities, local branch line associations sprang up throughout the agricultural areas of Manitoba. A total of 20 local associations have been formed. Their locations are shown on the map filed with this brief (the associations are indicated by a red dot).

I hope the members of your committee have seen the map which is reproduced on the final page of the brief. The red dots outline the coverage we have in Manitoba in this branch line association.

The Branch Lines Association of Manitoba was formed by these local groups to provide a central clearing house for information and technical advice to its members.

The Union of Manitoba Municipalities, the Manitoba farmers' organizations and the elevator companies are all affiliated with our central branch line association.

Farmers and Farm Communities affected

The concern which has caused farmers all over Manitoba to band into local associations is hardly surprising. They are faced with applications for abandonment of over 1,000 miles of branch lines in the province. On these lines are 95 towns and villages, populated by approximately 16,500 people.

More than 9,000 farm units are delivering some 20,000,000 bushels of grain to elevators on the branch lines covered by these applications. All of these farm families stand in the shadow of the abandonment applications. (The lines which the railways have applied to abandon are shown in red on the map).

Purpose of Brief

Most of the affiliated members of the association will be making their own submission before this committee. However, the executive of the association considered that it might be useful for the committee to know the reaction of various of its members to the abandonment procedure used in the past. The experience of those directly affected by this procedure may be of assistance when the committee is considering the new legislation.

Past Experience with Abandonment applications

Many members of the local associations were directly affected by the series of branch line abandonment applications heard by the board of transport commissioners in the past five years. The whole countryside was stirred up by these applications. The halls where the hearings were held were filled to "standing room only". While the hearings continued, farmers got up before dawn to do their chores so that they could start what was often a two hour drive to the city of Brandon where hearings were held.

And this is a very concise or wide range of time, because some of these people, I am sure, spent longer than that.

All farmers and many of the townspeople served by the branch lines under attack had been personally interviewed and had contributed statistical information. A substantial number of farmers, municipal officials and businessmen gave evidence of the loss which would result from abandonment, from which the aggregate damage could be calculated. Everyone in the area was fully aware of the issues.

In the course of the hearings, all of these men learned what it was to be faced with a maze of railway cost figures and a platoon of railway experts concentrated on proving the railways' dollars and cents loss.

What disturbed our members was that the procedure did not seem to be aimed at working out a common sense, efficient and cheap rail system to carry the farmers' grain to market and serve the communities in the area.

This brief describes the main defects which these men have seen in the old branch line abandonment procedure, and which they think must be cured in a new bill.

The Board wears blinkers

When the most recent series of hearings began in 1960, most of the farmers affected were seeing the procedures for the first time. There had been no branch line hearings in these areas since before world war II.

The first and most lasting shock was that the board of transport commissioners considered itself bound to look at one line at a time, and to look only at that line. It was as if the board was fitted with blinkers which kept it from looking at the whole area and figuring which lines would best serve the farmers and the rural communities involved.

This placed the farmers in an impossible position when they were trying to decide what abandonment would cost them. At each hearing they were requested to work out the cost of hauling their grain to the next nearest alternate line. When they asked whether the next nearest line would be permanent, they always got the same answer:—The next nearest line was run by the other railway company and the Board was not considering that line at the moment.

To move hundreds of thousands of bushels of grain to a different and more distant rail line means more storage, bigger trucking equipment, more and better roads, and new elevator facilities. The farmers all expected that if their own branch line was to be torn up and they made all these costly changes and the necessary new facilities were built, the board would assure them some permanence for the alternate line. But the board did not consider it could look at the alternate line. The officers of the other railway were not even called into the hearing.

An example of this kind of thing was the Hallboro-Beulah line (as indicated on map).

Mr. ALLAN SCARTH, Q.C. (*Solicitor for the Branch Lines Association of Manitoba*): It begins at Hallboro and runs to Beulah. It is shown on the map in red.

Mr. JAMIESON: This C.N.R. line runs parallel to C.P.R. lines to the north and south. The farmers and other residents on the Hallboro-Beulah line were at a loss to know where they were supposed to go to find a line that was

permanent. How could they figure their costs unless all the lines in the area were looked at together and the most efficient system was worked out.

The Hallboro-Beulah application was rejected by the board of transport commissioners, but the C.P.R. then applied to abandon one of the parallel lines, and the same blinkers procedure was run through again.

Mr. SCARTH: This is the Varcoe to MacGregor line, gentlemen.

Mr. JAMIESON: In some cases it seemed obvious to every farmer on the line how the railways could sit down together and work out a common sense rail service. Take the MacGregor-Varcoe line for example (as indicated on map). The east half of this 60 mile C.P.R. line runs through unproductive country. The west half carries a heavy load of grain, and a large number of elevators and thriving communities have been built along it over the years.

This is known as the Carberry sand hill. It is sandy land. It grows a little bush, but up to date it has never yielded one five cent piece of production. One half of this line runs through that sort of area. I suppose it was built in competition between the railroads. It was just to service the area. But the other 30 miles of this line run through what, in my opinion, is one of the most productive grain areas in Manitoba.

Everybody could see that while the east half could be scrapped, the west half was a valuable part of the grain gathering system.

Running north and south was what looked to everybody to be the solution to the problem—a C.N.R. line crossing this branch line and intersecting with the main C.P.R. line 13 miles to the south.

Everyone expected that the two railways would get together on this problem and agree that the abandonment of the east half of the Varcoe line would be applied for and the C.P.R. would run its grain off the east end of the line and south on the Canadian National line 13 miles or so to the main C.P.R. line. All that was required was a switch and a running rights agreement.

You can imagine the surprise in the community when the C.P.R. applied to abandon the entire line. Farmers immediately suggested the obvious solution. They were even more surprised when they got to the hearing and discovered that the C.P.R. had not even talked to the C.N.R. about using the 13 miles connecting track to solve the problem.

At the hearing, the board as before was able to consider the one line only, rather than the whole area. As a result, it looked as if this thriving farm region might lose its essential 30 miles of track because in the rush of pioneer rail construction the other 30 miles was laid in what turned out to be barren country.

Fortunately, all proceedings were suspended in this case when it was announced that new rail legislation would be put forward. It is the earnest hope and expectation of the hundreds of citizens along this line that the new legislation will permit the obvious common sense solution to be worked out.

Mr. SCARTH: This is the MacGregor-Varcoe line we were talking about. It is a Canadian Pacific line. There is a Canadian Pacific line connecting down here. The unproductive country that Mr. Jamieson speaks of is here. These 30 miles are unused as far as deliveries go. This is Canadian Pacific, and this is Canadian National, and it goes down here and intersects with the Canadian Pacific. The solution offered by people in the area as being logical is to run the grain off the end of this line here down to the Canadian National Railways cut-off and on to the Canadian Pacific line to the east. The grain of course moves from this area east to the lake head.

Mr. JAMIESON: I continue:

Railway costs

Even those who went to every hearing had a hard time keeping up with the different forms in which the railways presented their costs. The feeling was

that railway costs should be presented in the same form each time. It was also felt that the items that go into these cost statements should be settled ahead of time, at a hearing where the experts can give evidence, and cost formulas can be worked out.

Some of the cost items put forward in the past few years didn't make sense to the farmers, but they didn't feel competent to criticize them.

For example, one of the biggest items which turned up on one of the railway's loss statements in 1962 was "cost of money". This was a fixed percentage of over 11 per cent on the money the railways claimed to have tied up in rails, ties and so on. The important point was that this percentage was calculated not on depreciated value but on the current appraised value of the track, no matter what the railway paid for it. It hardly seemed fair that the railway should charge "cost of money" on money it had never put out.

This is the Varcoe-MacGregor line which was built in the late 1800's; and on the same sheet they took the depreciation cost, and in addition the cost of the money in the accounting.

By this means the railway could get permission to pull out a section of track that might have cost it little or nothing years ago, simply because the price of steel had gone up and the railway could make a windfall profit on the salvage. Under this system, abandonment depended on the price of scrap in Japan.

Right alongside this "cost of money" item in the railway "loss account" was an item for depreciation which I mentioned on the very same track. The users of the line would thus be charged full depreciation on the track over a period of 30 years or so, and all through this period the railway would also be charging "cost of money" of over 11 per cent on current resale value of the track. If second-hand rail prices rose during the period (as they have done due to inflation and demand for steel) the original cost of the track might be charged over and over again to the "loss account" for the line. A large part of this charge would be for "cost of money" on money the railway never invested in the first place.

On the farm, equipment is only charged for once, and this kind of figuring convinced the farmers that somebody should take a hard look at railway cost figures.

The new authority must have real authority

It is now generally known in the country that the government proposes to create a branch line rationalization authority. This is a real step ahead if—and it is a big "if"—this authority has enough power to make it mean something.

Our members believe that this authority must be able to look at each area in Manitoba where one or more abandonments are applied for, and see whether the line in question can form part of an efficient grain handling system to serve the area.

The suggestion that the authority's powers should be confined to deferring the abandonment of particular lines does not appeal to those who are to be operated upon. One man likened this system to an anaesthetic to postpone the pain—but essential limbs would still be amputated.

If the authority finds it in the public interest to keep a line, or to keep a piece of a line, as part of an efficient rail grid, it should have power to so order. If a piece of a line—as in the MacGregor-Varcoe example—can be done without, the authority should so order.

If the authority finds that an efficient system requires grain to move from one railway's trackage across trackage of the other, it should be in a position to recommend this as a condition of abandonment of other lines in the area.

What we are all aiming at is an efficient grain handling system which best serves the citizens of Manitoba's communities. The authority must be given the necessary tools to work this out.

The VICE CHAIRMAN: Thank you, Mr. Jamieson.

I think this might be a good time to adjourn until 3.30 this afternoon or until just after the question period when we shall be meeting in the railway committee room in the centre block.

I urge all members who are here today to be with us this afternoon promptly so we can get started on the questioning period.

AFTERNOON SITTING

The VICE CHAIRMAN: Madam and gentlemen, we now have a quorum. Let us continue with our delegation from the Branch Lines Association of Manitoba. This morning we hear a brief, and we have again this afternoon Mr. Gregor Jamieson, vice president of the Branch Lines Association of Manitoba, Mr. D. F. Rose, executive director, and Mr. Bruce MacKenzie, executive director.

This morning we completed the presentation of the brief by Mr. Jamieson, and we are ready to open up the questioning this afternoon. But before we begin the questioning I wish to bring to the attention of all members of the committee the fact that the next meeting is set down for Tuesday, March 30, commencing at 9.30 a.m. in room 308, west block, when we shall be hearing from the Canadian Industrial League, the Maritime Transportation Commission, Halifax, and the national legislative committeee, international railway brotherhoods.

Mrs. RIDEOUT: Are there not other committee meetings at that time which would create a conflict?

The VICE CHAIRMAN: I am aware of the conflict, and that is one of the necessary steps which I had assured the committee this morning that I would take, and it has been taken. I trust we will not have a repetition of what happened this morning. The matter has been reported to the proper authorities, and without naming them I do wish to say, although it happened this morning, those of us who complain most are often those who have the poorest attendance. That is all I intend to say. I think the difficulty we had concerning the meeting this morning will not happen again next Tuesday, while I am in the chair anyway.

Mr. DEACHMAN: I was just complaining about the situation this morning. We could hardly get a Conservative over in the defence committee.

The VICE CHAIRMAN: I do not think that is a complaint here. I was complaining as Chairman, and my concern is with the railway committee not with any other committee at the present time. I have no one listed who wishes to ask questions at the present time.

Mr. MACDONALD: I would like to refer to the part at the beginning on page 4 of your brief, and to the conclusion, on page 7. In your view are the provisions of section 314(d) of Bill No. C-120 adequate to meet the problem as detailed in that particular part?

Mr. SCARTH: No. Mr. Jamieson has not been talking about the bill but rather about the subject matter. He may not be prepared to answer questions on the bill itself, but only on the subject matter.

Mr. JAMIESON: At the moment I have not got a copy of the bill before me.

Mr. MACDONALD: You cannot say whether this would meet the problem or not. Have you any suggestions which you think should be followed to make

sure that whatever authority is considering it is going to compel one system to give running rights over its line to another system and so on?

Mr. JAMIESON: Well, it is certainly the opinion of the farmers in the country, and I share their views, that this should not be too difficult. If we have the proper type of set-up to look after this type of thing, then I would think that if this authority has sufficient power, it could be done.

I am not suggesting that they should compel either one railway or the other to do it. However, I think there are methods by which it could be done. In other words, if you take into consideration the area where we have looked this situation over in Manitoba, this should not be too difficult. I suggest taking a total area and looking at the transportation needs of that area. It might involve both railroads, and if it does, there should be some method of getting running rights. There should be some method of saw-offs, and you could persuade the railroads surely to do this type of thing.

Mr. MACDONALD: You have no detailed suggestions to offer at this time in order to do it?

Mr. JAMIESON: No, I would not suggest any.

Mr. MACDONALD: On page 3 in the final paragraph you refer to an efficient and cheap rail system for the carriage of farmers' grain. You are not suggesting that rail is the only system that could be used to carry it?

Mr. JAMIESON: It is the only one we have at this particular time.

Mr. MACDONALD: In all these particular locations?

Mr. JAMIESON: That is right.

Mr. MACDONALD: Am I to understand that in this very great area of Manitoba there are no highways available?

Mr. JAMIESON: It depends on what distance you are going to take it.

Mr. MACDONALD: What is that, please?

Mr. JAMIESON: I would say it depends on what area you are in, and what distance you are going to carry the grain. There are some highways, if you are talking about trucks.

Mr. MACDONALD: Is it the view of your organization that rail is the only means, or would trucking be acceptable to you?

Mr. JAMIESON: To what point, to Fort William?

Mr. MACDONALD: No, I mean to the main line, for example.

Mr. JAMIESON: To a reasonable type of railroad system I would say yes; but of course there is a cost element involved in it.

Mr. MACDONALD: Thank you.

Mr. KORCHINSKI: I just want to ask you this question. Have you got an organization in every one of these branch line areas?

Mr. JAMIESON: Yes, that is so.

Mr. KORCHINSKI: With a permanent secretariat so as to compile information?

Mr. JAMIESON: As far as we are concerned the central organization is the organization which was set up prior to 1920 to hold the local organizations together. We are more or less set up to provide information to the associations which are set up, and today there are 20 of them.

Mr. KORCHINSKI: You mean to co-ordinate it?

Mr. JAMIESON: Yes, that is right; and the associations are operated through a membership fee from the area in which they are involved. In some cases we have had some assistance from municipalities and from some of the small urban centres, financially.

Mr. KORCHINSKI: The local organization is responsible for the filing of data and detailed information and so on, and they pass it on to you.

Mr. JAMIESON: We have taken some responsibility for the compiling, and we get it from the associations. We pick out a certain association and ask them for some idea of transportation costs and that type of thing.

Mr. KORCHINSKI: Would you then have available to you information on how far, for example, if some of these lines were removed, trucks would have to haul grain going north of the harbour area on the lakes, and how far the trucks would have to haul grain before they got it to the railroad?

Mr. JAMIESON: As we mentioned in our brief, the problem at the moment is this: where do you put your new facilities to haul to, or where do you go to? What permanency is there? You see, in all western Canada we have large farmer ownership of elevator facilities, and in the case that you have a line up to the people in that area, you have to go about figuring out some point where they would re-establish. Under the system we have had in the past there just was nothing definite about your situation anywhere.

Mr. KORCHINSKI: Would there be areas which would be farther than 25 miles to a railroad, assuming that these lines would be abandoned?

Mr. JAMIESON: Oh, yes, sir.

Mr. KORCHINSKI: How far? Would you have any idea?

Mr. JAMIESON: I would not hazard a guess at the moment.

Mr. KORCHINSKI: You would not. I was wondering, because it seems to me that here there might be a way for the railroads to circumvent the Crowsnest pass agreement, and I was wondering how far out you would have to haul grain to a railroad, and then have the added cost. Are there any areas which are relatively new ones which are not developed at the present time, and where the railways perhaps abandoned a line in those areas?

Mr. JAMIESON: You mean where the area is not developed?

Mr. KORCHINSKI: I mean an area not developed, or a new area which has not yet reached its maximum potential.

Mr. JAMIESON: This could be the case in the northern parts of the province.

Mr. KORCHINSKI: And in those areas there are possibilities for development?

Mr. JAMIESON: Yes.

Mr. KORCHINSKI: If the railway decided to abandon such an area, then instead of progressing, as a matter of fact it would work in reverse, and the people there would have to move out of that area.

Mr. JAMIESON: I would imagine this would be correct, particularly up in the area of The Pas.

Mr. KORCHINSKI: There are no proposed abandonments in The Pas area?

Mr. JAMIESON: No, but if there were, then this would apply.

Mr. KORCHINSKI: When meetings were held in many of these areas did the farmers indicate how far they would be prepared to haul their products? I assume most of this area is farming land.

Mr. JAMIESON: Not precisely, but I would say that at the moment the farmer is not prepared to haul it much further. He takes the attitude that in moving the railroad out all that is happening is that there is a transfer of costs of hauling grain from the railroad transportation system to the farmer, and in essence that is it.

Mr. KORCHINSKI: Were you able to provide people along this line with information on what it would cost to haul their products by truck?

Mr. JAMIESON: Certainly. We have used the figure.

Mr. SCARTH: We have used the figure of half a cent a bushel per mile, to give you something to work on. I think the crow rate to that point is about 16 cents per bushel. So if you add eight miles to the haul, you will be adding four cents a bushel and you will be adding 25 per cent of the crow rate all the way to Port Arthur.

Mr. KORCHINSKI: Was there any interest shown by anyone that they were prepared to truck the products out to perhaps a different area? Was there any interest shown by the truckers?

Mr. SCARTH: Commercially? There is some custom trucking being done at half a cent per bushel per mile or thereabouts, but of course custom trucking is not available when the rush is on so most farmers do not depend upon it.

Mr. KORCHINSKI: Did the municipalities make recommendations indicating that they would want some further assistance for roads or another system worked out?

Mr. ROSE: There is no question that it would be an additional cost to the municipality. The difficulty at the present moment is that if one particular line goes out, we have no assurance that the next line at the place to which the farmers are going to haul their product is going to be there a year from now or two years from now, so it is absolutely impossible to make any cost survey until we are sure that there will be some line that is going to stay there.

Mr. KORCHINSKI: In many instances you cannot decide definitely unless you know what the Canadian Pacific Railway does.

Mr. ROSE: That is right.

Mr. CANTELON: I am glad Mr. Korchinski got to the Canadian Pacific Railway because this is the point I wish to make. In my area, which is of course in Saskatchewan, when I attended a meeting with the branch lines committees that were held there about a year ago, the Canadian Pacific Railway refused—and I do not think I am unjust in saying so—to detail their abandonments because they said there were reasons why they could not do so. This of course faces the district with the problem that they know which Canadian National Railways lines will be abandoned but they do not know which Canadian Pacific Railway lines will be abandoned, so it is practically impossible to determine exactly what the cost will be to the farmer because he does not know where he is going to haul his grain. Did you run into that problem in Manitoba?

Mr. JAMIESON: We have exactly the same circumstances. Most of these lines that you see in red on this little map are C.N.R. lines, very few of them are C.P.R. lines.

Mr. CANTELON: That is my next question, whether there were any C.P.R. lines among these red lines.

Mr. JAMIESON: There are some.

Mr. CANTELON: I am pleased to see that we know of some of the C.P.R. lines which will be abandoned.

I want to speak on clause 314B(1) in which it is said:

> The authority may recommend to railway companies the exchange of branch lines between companies by lease.

This is practically the same question asked by Mr. Macdonald. Do you think the words "may recommend to the railway companies" have any authority in effect? Does this give any authority to the branch line rationalization authority so that it can in effect tell the railways that they must rationalize?

Mr. SCARTH: I think that a hint as to the feeling of this association is to be found on page 10 of the brief, in the second to the last paragraph where it is

suggested that the mutual use of trackage might be made a condition of abandonment of other lines in a given area.

Mr. CANTELON: You have not answered my question. Do you consider this phrase is strong enough?

Mr. SCARTH: By implication the association does not because it is suggesting that these changes be made a condition of other abandonments.

Mr. CANTELON: I do not know if I can accept that.

I also have some questions on the cost figures, but I think your brief is very clear in this particular area and it is much the same sort of question that was asked this morning, so it is hardly necessary to repeat those questions here.

Mr. RAPP: Mr. Chairman, I would like to ask these gentlemen their stand on the grain elevators that are on the abandoned lines. In other words, some opinions were expressed in my province that some of these elevators should not be removed even though there is a statute, with which you are probably familiar, which says that unless a grain elevator is on a railway line, it cannot accept grain. In other words off-track storage is not allowed. Some farmers in areas which are going to be 50 or 75 miles away from the next elevator on a track expressed opinions that these off-track elevators should be allowed to accept grain. Have you given any attention to such a problem where, if a line is abandoned, farmers may be put in a position of being about 75 miles away from the next grain elevator while at the present time they may only be about 10, 12 or 15 miles away?

Mr. JAMIESON: First of all, I would like to say that I think the North-west Line Company has made a presentation and I am sure that the farmers, the pools and the grain growers will also be making a presentation to you at a later date. They may answer this question pretty fully.

The only comment I would make is that I know some grain companies have attempted this. First of all you would have to rewrite the Canada Grain Act in order to do this. That may not be impossible. On the other hand, I do know that companies have experimented with this and sufficient money is not made in the handling of grain to operate an elevator off-track and to pay the two service costs.

Mr. RAPP: But at whose cost will the grain then be moved to an elevator on tracks? Will it be at the company's expense or at the farmer's expense? At whose cost is the grain going to be moved to the on-track grain elevator?

Mr. JAMIESON: My experience is that the farmer is going to pay it anyway.

Mr. RAPP: Well, in that case the Crowsnest pass benefits go out the window.

Mr. JAMIESON: This is true. That is another aspect of the story.

The VICE CHAIRMAN: On a point of information, may I say that the North-West Line Elevators Association presented a brief to this committee on Tuesday, March 9 of this year.

Will you proceed, Mr. Deachman.

Mr. DEACHMAN: Mr. Chairman, I wonder if the witness could give us any idea of the collection system for grain in Minnesota and North Dakota just across the border. Do these areas have a system identical with the one you have in Manitoba and Saskatchewan?

Mr. JAMIESON: Well no not exactly now. I am not too familiar with it but I do know most is government storage across the line from where I live. They are not grain handling companies or farmer owned.

Mr. DEACHMAN: It is government storage.

Mr. JAMIESON: Yes.

Mr. DEACHMAN: Is the grain stored in trackside elevators similar to the ones we see in Manitoba and Saskatchewan or are these larger cement storage elevators?

Mr. RAPP: They are terminals.

Mr. JAMIESON: My observation would be that some of them are very large type storages.

Mr. DEACHMAN: When the grain moves from the farm to the elevator in Minnesota or North Dakota is it moving to one of those large elevators or to a small trackside type of elevator?

Mr. JAMIESON: I think both apply. They do have an elevator system in some states.

Mr. MUIR (*Lisgar*): If I may point out, in respect of storage in North Dakota and across the line from Manitoba, the farmer can put his grain in a steel bin right on his farm, and the government official comes and locks the door.

Mr. JAMIESON: That is right.

Mr. MUIR (*Lisgar*): And, when they require grain they even give the farmer the full amount of the price of the grain as a loan, and it belongs to the government.

Mr. DEACHMAN: Then it is in bond on his farm.

Mr. MUIR (*Lisgar*): Yes.

Mr. DEACHMAN: When it moves out of this storage does it move to a small trackside elevator with which we are familiar, a country elevator or out to a major storage point into large grain elevators?

The VICE CHAIRMAN: Mr. Deachman, this is all very interesting but I do not think it has anything to do with the brief presented today. Perhaps you could speak to Mr. Muir later in this connection.

Mr. DEACHMAN: Mr. Chairman, with respect, I think it does. I wanted to know if our system is the only one by which you can move grain or are there other systems very close to us that are competitive.

The VICE CHAIRMAN: I think the way that you have put your question now is quite acceptable.

Mr. DEACHMAN: I am referring to those systems with which we are in competition and I was wondering if we should be examining these systems along with our own to determine what makes an efficient system.

Mr. MUIR (*Lisgar*): Our system is better.

Mr. KORCHINSKI: Yes, although we do have problems our system works better.

Mr. DEACHMAN: I would like to put this question to the witness. Do we move grain comparable distances, that is from the farm to the head of the lakes, cheaper than they do in the United States?

Mr. JAMIESON: As far as freight rates are concerned, certainly, yes. Freight costs are very high in the United States.

Mr. DEACHMAN: Then, is it true that grain landed at the head of the lakes with the existing branch line facilities or landed at the coast carries at a cheaper rate than any comparable area across the border?

Mr. JAMIESON: Yes.

Mr. PASCOE: Under the present system the elevators are close.

Mr. JAMIESON: Yes, that is true in respect of the system under which we are operating now.

The CHAIRMAN: Will you proceed now, Mr. Forbes.

Mr. FORBES: I would like to refer you to page 3 where you refer to farmers being provided with statistical information. I presume this information would apply to the economic position of the community and the cost of moving grain. Is this information available to this committee?

Mr. JAMIESON: I am going to ask Mr. Scarth.

Mr. SCARTH: If there are any statistics that we are able to supply we will be glad to do so. Does the information which you are seeking have anything to do with farmers' costs and that sort of thing?

Mr. FORBES: Definitely.

Mr. SCARTH: Well, if the committee wishes for statistics in a particular field we would be glad to see what we can do to provide them for you.

Mr. FORBES: My question is with regard to those two red lines at the top of the map on the easel. I think it is only fair that I restrict my question at this time to the area affecting our area.

Two years ago the C.N.R. made application to abandon thirty-one miles of track from Ochre River to Rorketon. The C.N.R. recommended in their brief that the farmers in the Rorketon area haul their grain to Winnipegosis and Fork River, and also recommended that the farmers of St. Rose haul their grain to the main line at Laurier. Now, they had not held a hearing on the Ochre River-Rorketon line until they made application for the abandonment of the line from Sifton to Winnipegosis, the one they had suggested as an alternative shipping point. It is in this connection I would like to have statistics. There are long mileages to haul grain in that area and, in this connection, I feel it would be very beneficial to the committee to have some statistics on the economic effect of the abandonment of these railroads and the cost of moving the grain to the main line, which would be 60 or 75 miles away.

Mr. JAMIESON: I doubt if we have the statistics on this particular line but we do have them in respect of other lines. Generally speaking, I think they are on the basis of one half cent a mile. Of course, we have another problem, with which the members from Manitoba certainly will agree. All the main highways and trunk roads run north and south and as soon as you take up a railroad line you have to build some kind of a network of roads to alleviate this problem.

Mr. FORBES: That is the type of statistical information which will be required for the area referred to because one of its municipalities is administered by a provincial administrator. It would be a terrific cost to the people of that general area to construct a highway to transport their grain and other produce which is normally shipped by rail to the main line of the C.N.R. That is the reason I would like to have some statistical information of that particular area.

Mr. JAMIESON: I think it would be correct to say we have not those particular lines, to my knowledge, and whether or not we can get them for you I do not know.

Mr. SCARTH: I think it may be possible.

Mr. JAMIESON: If it is possible we will obtain that information for you.

Mr. FORBES: As you know, the Hedlin Menzies commission was appointed; would it be part of their duties to inquire into the costs and economic factors in respect of the abandonment of this line in that particular area?

Mr. JAMIESON: It might be possible that they would have some of this information. The information which will be forthcoming at a later date will be available.

Mr. FORBES: What organization will be appearing before this committee which will be able to give us that information?

Mr. JAMIESON: Do you mean with regard to this specific line?

Mr. FORBES: Well, in respect of any line, but I presume this line would be included.

Mr. JAMIESON: Well I know that the Hedlin Menzies commission did this type of work in specific areas. They took spot areas.

Mr. FORBES: Were they hired by the provincial government?

Mr. JAMIESON: No.

Mr. FORBES: Who engaged them?

Mr. JAMIESON: The Manitoba Pool Elevators.

Mr. FORBES: Were the U.G.G. associated with them?

Mr. JAMIESON: I do not think so.

Mr. FORBES: Thank you.

Mr. JAMIESON: There may have been some contribution from some other organization but in the first instance it was instigated by the Manitoba Pool.

Mr. PASCOE: Mr. Chairman, Mr. Forbes has pretty well covered the questions I was going to put. You say in your brief that a substantial number of farmers, municipal officers and businessmen, gave evidence of the loss which would result from abandonment, from which the aggregate damage could be calculated. I am trying to ascertain the loss to the whole community, businessmen and so on. I know figures were compiled in this connection and I was wondering if they would be available.

Mr. JAMIESON: Would this information be available?

Mr. SCARTH: This accumulation of evidence is available in transcript form, being the transcription of the proceedings before the board of transport commissioners for specific areas. Give or take one or two I believe there have been ten branch line hearings in Manitoba and these were well distributed throughout the province. Each one of these hearings was fully reported and the transcripts are available. Witnesses appeared before these hearings and gave a full statistical summary of the damage in the particular areas.

Mr. PASCOE: The damage to the whole community?

Mr. SCARTH: Yes, including road costs, tax loss, extra haul miles, new elevator facilities, and larger trucks. All this information is available.

Mr. MUIR (*Lisgar*): If abandonments are authorized what would you consider to be an appropriate transition period to enable municipalities, farmers, businessmen and elevator companies to make the necessary financial adjustment?

Mr. JAMIESON: I would not care to give a very definite answer to your question. I think it would depend on the amount of mileage of track you had taken up, distances involved and so forth. It would depend to what extent you had railroad abandonment in that particular area. Perhaps Mr. Rose would like to comment on that.

Mr. ROSE: Mr. Chairman, I think until such time as we are definitely sure that there is one railroad in particular that is going to be there it is impossible to make an estimate of these costs because if this line goes out the cost is going to be so much to get to the next line; but if the next line goes out also, then that will create additional problems. We may have started to build our roads in the wrong direction and we may have to go south instead of north. So, until we are definitely sure there is going to be a network of railroads left to handle the grain I do not think the municipality or the government of Manitoba can put any cost on what it is going to cost to build roads to get to these particular points.

There is another point I would like to bring out. All the branch lines at the present time have elevators, that is, at every little place six or seven miles apart. These elevators in the last number of years, since the grain has piled up, have built annexes. This is the storage that is in Manitoba. It is at these country points. Some of the small villages will have three elevators. The capacity of the elevators could be 150,000 bushels or so, and they have annexes that will store another 200,000 or 300,000 bushels. If this line is abandoned, the storage space will be lost; and the farmer does not have any storage at home. He does not have storage space on his farm because he has been able to make use of the storage space that has been provided by the various elevator companies. Therefore, it is not just a matter of the farmer hauling his grain; it is the fact that there is no place for him to put his grain when he does get to the other line because there is no storage space available there to hold it.

Mr. MUIR (*Lisgar*): I think probably I am wrong, but we can assume that the bill will take into consideration the abandonment on a regional rather than a piecemeal basis. This is what we hope for, anyway.

On that assumption, when the farmer knows or the municipality knows which line is going to be abandoned in a certain period, would you consider that as legislators we must write into the bill some protection—or at least we must hope to write in some protection—for these municipal bodies, for the farmers and for the businesmen? Would you consider that a five year period would be a proper adjustment period? I am not talking about the 15 year point, I am talking about where a line has been authorized to be abandoned. Would you suggest that we write into the bill a provision that after authorization has been given for a railway line to be abandoned it must not be abandoned for five years?

Mr. ROSE: I doubt very much that five years is long enough. In five years an average municipality does not build a great deal of road.

Mr. MUIR (*Lisgar*): I am not sure whether I can find the section quickly in the bill, but when the grassland authority suggest to the board of transport commissioners that the line shall be abandoned and the board of transport commissioners agree it is uneconomic, I understand it is to be abandoned forthwith. In those circumstances, I think we should have some protection for the elevator companies and others. You cannot build a road even in a year; you have to authorize the money for it, and so on.

Mr. JAMIESON: Mr. Chairman and Mr. Muir, at the moment I think certainly the people we are representing here are not suggesting that we have any particular amount of railroad abandonment in Manitoba. I think we will all have to agree that there are spurs of tracks and pieces of track that anybody with common sense could say one could get along without because they have no particular economic value at all. But in general, I think the people for whom we are working would say an appreciable amount of railroad abandonment in Manitoba is nothing more than a transfer of costs for transportation from the railroad to the farmer.

Mr. MUIR (*Lisgar*): Other factors arise from the abandonment of branch lines, and that has to do with storage, of which we spoke a minute ago. Do you visualize, in the event of the abandonment of any substantial amount of railway, large centralized elevators to accept the grain that is to be taken to the railway?

Mr. JAMIESON: I would think, Mr. Muir, that this would be logical, would it not? If there were any particular amount of abandonment in a specific area, then logically when you build storage space you would attempt to build more of it. Again, there is a terrific cost factor there, particularly for the farmer-owned companies; and as Mr. Rose mentioned with regard to roads, you again have a problem in regard to the time you will need in order to get this service set up for the people. When you do away with your old facilities or your present

facilities you find yourself saddled with the construction and the cost of a terrific amount of facilities.

Mr. MUIR (*Lisgar*): I find here in section 314c (6) the following:

> Where a branch line is approved for abandonment it must be abandoned on the prescribed abandonment date unless the line may be brought under the provisions of the new subsection (7).

Subsection (6) of section 314c—this is the new section—says:

> Where a branch line has been approved for abandonment under section 314B, the company shall cease the operation of the line and each segment thereof
>
> (*a*) on the date fixed therefor by the authority under subsection (1), or on the 30th day of June, 1979, whichever first occurs;

I would expect this particular section has to do with the particular line that has been approved for abandonment, but because of federal subsidies it will not be abandoned for 15 years. I am thinking about those who are not going to qualify. Do I make myself clear?

Mr. JAMIESON: No. Would you please repeat that?

Mr. MUIR (*Lisgar*): I am thinking particularly about the lines that are going to be abandoned on purely economic grounds and the other considerations which will mean that they do not qualify for the government subsidy. I submit that if these lines are abandoned within five years of the date of application for the date of authorization there could be a hardship. The reason I mention this is that up until now it has been the practice; once a line is authorized for abandonment it is abandoned as quickly as possible, within a year. The result is you have elevators lying empty and you have farmers who have to buy large trucks. It think it would be well to point out to the committee that it certainly is desirable to have a time for abandonment, regardless of whether or not it is subsidized.

Mr. JAMIESON: I would agree with you.

Mr. ROCK: I am a little disappointed that the map you have produced here does not show the road system, nor a scale showing the number of inches to the mile. It is very difficult to understand exactly the number of miles the farmers now will have to travel to the other location after abandonment takes place. This makes it rather difficult to properly study the situation. Could you tell me what average distance the farmers now have to travel to bring their produce to the nearest elevator?

Mr. JAMIESON: Do you mean the furthest distance in the province?

Mr. ROCK: No. I am thinking of the trackage which is under discussion now which is to be abandoned.

Mr. JAMIESON: If you went up in the north country, for example, you have distances there greatly in excess of what you would find down in the lower half of the province.

Mr. ROCK: Would it be a distance of 75 miles, 10 miles, or 15 miles? It is difficult to tell from the type of map you have produced.

Mr. SCARTH: To give you an idea of the scale, the distance from Winnipeg here to the border at the bottom of the map is approximately 75 miles. That is the rough scale. Then you would have roughly 20 miles between these lines of track.

Mr. ROCK: Only 20 miles?

Mr. JAMIESON: That is right.

Mr. ROCK: That means it is a matter of 10 miles of travel if you are in the centre; that is not a great distance.

Mr. FORBES: You are right in saying that is a very poor map. In the north around lake Manitoba there is lake Winnipegosis and from the map you would think you would have to drive just 10 or 12 miles, but there is a lake there 10 or 12 miles long which is not shown.

Mr. SCARTH: The map was not intended to be a study of distances. It was intended for two purposes; to give the committee an indication of where these locations are, and the proportion of land which is under application for abandonment. There are no topographical features shown. Manitoba is not just one vast flat land, but is broken up by topographical features. These features are not on the map. This is not a study of this type.

Mr. ROCK: It is too bad. If we had the road system embodied in that map we would be able to see the situation in respect of the different facilities. What we have in front of us now is just the railway transportation facilities and nothing else. This makes it difficult for us to study the situation in the proper perspective.

Mr. SCARTH: This is the kind of a study that we hope an authority would do. We suggest this is something an authority might take some days to achieve; that is, an examination of a particular area, the distance of haul, and so on. This submission is on the general subject matter of the bill and the request is that an authority be set up to look at the area and come up with a common sense solution.

Mr. ROCK: Would you be able to tell me the number of elevators there are situated on the tracks to be abandoned?

Mr. SCARTH: I think it is in the brief.

Mr. JAMIESON: I think it is in the nineties.

Mr. ROCK: Would you know, in the province of Manitoba, whether the C.P.R. or the C.N.R. have organized a trucking firm to move grain, say, from the farmers' farms to the trackage?

Mr. JAMIESON: No.

Mr. ROCK: There is no such transportation system?

Mr. JAMIESON: No.

Mr. ROCK: Is there any other transportation system existing in the province from which a farmer could hire trucks?

Mr. JAMIESON: There is nothing other than just the small commercial operators within a district.

Mr. ROCK: You would not know whether or not the C.N.R. or the C.P.R. ever applied to the provincial government for a trucking permit for the future, or anything like that?

Mr. JAMIESON: Not to my knowledge.

Mr. SOUTHAM: I think this whole matter of concern in respect of rail abandonment was accelerated recently by what has been referred to as the piecemeal abandonment in this proposed legislation we are studying here.

The CHAIRMAN: Mr. Southam, can you speak up? We are having difficulty in hearing you.

Mr. SOUTHAM: I am referring to the piecemeal development abandonment and the rationalization of abandonments for consideration by regions. Now, this legislation that we have before us talks about rationalization authority, taking this fact into consideration. Over the past several weeks, the witnesses seem to be unanimous in their thoughts. I just wanted to get an expression from the witness of the fact that the authority is not strong enough. Mr. Muir mentioned the word "may" instead of the word "shall", for instance. In this proposal that we are considering do you feel that this rationalization authority has enough authority or do you feel it should be given more power than has already been laid down?

Mr. JAMIESON: Certainly, Mr. Chairman, we would suggest that it have sufficient authority and sufficient teeth that it can do the thing that we think should be done and that is an over-all sensible rationalization problem.

Mr. SOUTHAM: In other words, you are expressing the same thought, that there does not appear to be enough authority at the present time. There is another matter and this came up at the MacPherson royal commission. I have had some personal experience in the matter of economies and railway abandonments. I believe one of the first large abandonments was the Wolseley line. An application was made by the C.P.R. in 1959 and it was not brought into effect until 1961. There were a number of disputes involved. There was a committee set up at the time to study these. The railroads formula for cost accounting was disputed. Then, more emphasis was placed on this dispute of cost accounting in the MacPherson royal commission. A lot of the evidence of the former minister of agriculture, Mr. Hamilton, was put on the records at the last hearing last Tuesday. You are representing about eight different organizations here in Manitoba, such as the union of Manitoba municipalties, the Manitoba Chamber of Commerce and so on. Have you thought of getting an intelligent group of economists to set up what you feel might be a cost accounting system with respect to this problem?

Mr. JAMIESON: This firm of Hedlin-Menzies have done this work. They had one man do a considerable amount of this work. Is that correct Mr. Scarth?

Mr. SOUTHAM: I think the two basic fundamentals in the final agreement will be what is the proper cost accounting and what would be the proper authority rationalization. The problems will fall into a pattern.

Mr. JAMIESON: We made mention of that in the report this morning and I have a sheet here of some figures that came directly from the hearing on this particular Varcoe subdivision line and there is an item, cost of money $58,000. We have some of these sheets.

The CHAIRMAN: The sheet will then be exhibit 1 to your brief, as follows:

Exhibit

Statement of Avoidable On-Line Costs for the Varcoe Subdivision

	1960
Fuel	$ 650
Crew Wages	3,267
Other Transportation Expenses	26
Maintenance and Depreciation—Equipment	1,570
Road Maintenance—Labour	46,443
—Materials	9,092
Road Property Depreciation	25,533
Station Expenses	4,306
Cost of Money*	58,413
Non-Revenue Freight	25
Taxes	7,859
Insurance	115
Supervision	4,653
Traffic and General	13,632
Total	$ 175,584
Say	$ 175,600

* On net salvage value of trackage and facilities.

Mr. SOUTHAM: In other words, Mr. Chairman, would I be correct in assuming then that your association, like a number of witnesses, indicates some doubt about the proper cost accounting in making your representation for abandonment?

Mr. JAMIESON: I made one mistake here. I think your question to me a few moments ago was on the cost accounting of the railways. Hedlin-Menzies did not do this. It was cost accounting on the rural areas that they did.

Mr. SOUTHAM: As I say, if I may repeat myself, I would assume that your association would be expressing certain doubts as to the cost accounting formula used by the railways where it shows the true picture of this over-all problem of abandonments?

Mr. JAMIESON: It was obvious to us, in listening to four or five hearings, that the same approach was not used or the same system was not used and this is what the farm people object to.

Mr. REGAN: If I might be pardoned I did not hear some of your answers earlier because I had to be at another committee so if I should ask something that has already been dealt with perhaps you will put me in my place. In dealing with these lines that are projected for abandonment in Manitoba, am I correct that most of the lines that are being abandoned are C.N.R. lines?

Mr. JAMIESON: Correct.

Mr. REGAN: And am I also correct that in many areas the C.N.R. lines run somewhat parallel to C.P.R. lines at the present time, and the abandonments of these C.N.R. lines will result in government owned trackage being abandoned while the private owned C.P.R. will pick up the business on their parallel line and be in a more profitable position than they are in at the present time; is that accurate?

Mr. JAMIESON: Well, it has been our feeling, and this is to some extent just personal because we cannot prove it, that there is far more or there will be far more C.P.R. lines than there presently are. It would be the opinion of some of us that there could be far more applications for abandonment on C.P.R. lines than we presently have. In other words, they are holding back on their applications.

Mr. REGAN: Do you say that in some areas, if you are to have abandonment at all, it would be just as practical to perhaps provide service to abandoned C.P.R. lines where they presently intend to abandon the C.N.R. line?

Mr. SCARTH: Mr. Chairman, I think part of the brief this morning was to the effect that you cannot distinguish between the two lines within an area. Discussing an area such as this where there is a C.P.R. line and a C.N.R. line, the logical method of handling it—this was discussed in detail this morning—might be to trun down through a populated area—the C.P.R. line uses a 13 mile cut-off—and abandon 30 miles of absolutely barren trackage. As far as the local people are concerned, I speak for them, and I think they would accept it immediately, and get on with the grain down at the other end. This is a logical approach and it does not permit an answer, which I suggest says this line or that line could be abandoned.

Mr. REGAN: I would like to turn your attention to the south area, the abandonment of the C.N.R. lines between Morris and Hartney. This will mean that you take in an area say between Cartwright and Glenboro and then you will have more than 40 miles between these two C.P.R. lines and right in the middle the C.N.R. line that has been running between Morris over towards Hartney will not be abandoned even though it is right in between. Do you not feel that in this sort of arrangement, government owned lines are being abandoned for the economic benefit of the privately owned C.P.R.?

Mr. SBARTH: I do not think Mr. Chairman, that this association is capable of reading anything into the application which has been made up to date. There will be more by the C.P.R., we do not know. Our only concern is that when the areas are looked at, we hope they are not looked at just in respect of the lines that have been applied for, but the whole area is looked at, so we do not get an erratic and off balance abandonment such as the member suggested.

Mr. REGAN: If this were the case would not either railway come forward now rather quickly with a full list of the lines that they intended to abandon, because if the other railway were able to abandon one in the area first, then their chances of abandonment would be much less, would they not? Would that not suggest to you that the railways would probably come forth with their list of abandonments?

Mr. SCARTH: I do not think any inference like that has been drawn by the association, but the questioner has put his finger on a serious proposition. We are faced with competitive abandonments all right, that is true, as we were faced with competitive construction in the late 19th century. We are concerned with this competitive abandonment because it is just as local as construction. We would like to stop this by putting authority in charge to make sure that this is not competitive abandonment that we are faced with but rather rational abandonment.

Mr. REGAN: Just in connection with these lines again, I would like to refer you particularly, if you are familiar with the area, to Morris over to Roland and running between Glenboro and Cartwright. In this area would there be other traffic besides grain being carried?

Mr. JAMIESON: To some amounts, yes. There is quite a variation, one area to another, as we have experienced.

Mr. REGAN: Would you not think that the volume of traffic would be sufficient to make a serious factor in regard to the question of whether abandonment should be granted or not?

Mr. JAMIESON: The main transportation on all these lines is grain.

Mr. MACKENZIE: When we had the extra sales of grain to Russia which we had not had before, it gave the railroads a chance, which they had not had previously, to get a lot of grain into forward position. If you have grain coming in here, you can get it into Winnipeg and down to the lake in forward position in quite a hurry.

Mr. REGAN: Do you find there is any expansion in the rural population in Manitoba which would indicate any greater or varied need for these rail lines which are proposed to be abandoned, let us say, 10 to 15 years from now? Is there a possibility that if we quickly or unwisely abandon lines now we might later find that they would have become more profitable had they been retained for an interim period, but that it would not be economically sensible at all to replace them?

Mr. SCARTH: This is a conceivable proposition, based on our experience, and based on the hearings in the MacGregor-Varcoe area. You can see it from the map. There is a plant now at Carberry which is opening up an area of vegetable production, and which is widening in a radius around Carberry. You may propose to abandon the line from MacGregor to Varcoe which runs through this very good soil area which is well suited for the production of vegetables in quantity. It was suggested at the hearing that if that line were abandoned, we might, 10 years from now, show that the line from there was very greatly needed to handle those vegetables. Yet, as the questioner has put it, it might be uneconomic to reconstruct it. So this is quite a possibility.

Mr. JAMIESON: We have another development going on in central and eastern Saskatchewan, and in central and western Manitoba where exploration work for potash is going on. In that particular area I think the railroads are sitting very quietly until they see what the development is. This is just another opportunity for transportation if it so develops.

Mr. REGAN: In looking at the map, particularly the area showing the very, very long stretch starting out in the west from Souris and running south to Deloraine and running along by Cartwright and all the way along past Carman and down to Morris, you will find that in that comparatively great distance there is a stretch of at least 40 miles wide out of the centre of which you are taking the railway line, and in the entire distance there is no north and south line to join available lines for that full distance of 40 miles. Do you not feel that if this abandonment were granted, this would be one of the areas which would be most hard hit?

Mr. JAMIESON: It would appear that way, yes.

Mr. SCARTH: In volume III of the MacPherson report it was suggested that this area of Manitoba would be the hardest hit of all by abandonment of this sort.

Mr. REGAN: It would appear to me to be a very poor case for abandonment particularly where the Canadian National and the Canadian Pacific lines on either side would benefit. I think it would be a case which would favour private ownership of the Canadian Pacific, and would not be in favour of governmental regulations.

The VICE CHAIRMAN: Before we go on to the next questioner may I ask the members of the steering committee who are present, Mr. Macdonald, Mr. Crouse, Mr. Fisher, and Mr. Cantin, to remain for a few moments just after we adjourn.

Mr. MILLAR: My question to the delegation is this: concerning these rail line abandonments here, do the railroads offer anything in the way of service to replace what they are taking from the rural areas? In other words, do they leave it with you and say that it is up to you to get your grain to an elevator that is serviced by a railroad?

Mr. JAMIESON: That is correct.

Mr. MILLAR: My second question is this: does this delegation feel—and I am not a grain farmer—concerning the movement of grain, that the maintenance by the railway company for 12 months a year of a line is justified by the amount of grain that is shipped out of the area? Do you feel this is economical? Is it sound?

Mr. JAMIESON: That is what we want the authority to decide.

Mr. MILLAR: Rather than the railroad?

Mr. JAMIESON: According to a pattern of proper cost appraisal, generally, so that you would have a correct statement when you were through.

Mr. MILLAR: That sounds reasonable. Now, one final question. Mr. Scarth was drawing a comparison between competitive construction and competitive abandonment. From the appearance of these rail lines on the section of Manitoba that you show there, it would indicate that at one time in the history of Canada they built railroads rather recklessly. Is it reasonable to assume that these railroads were built into areas where for instance the Canadian Pacific had government grants of land that they would be interested in developing? Could this be said to be true?

Mr. SCARTH: This is rather an historical conclusion. But taking the example we were talking about this morning, we do not know the reason for the building of the Canadian Pacific line from MacGregor to Varcoe. It was built in 1899 I think, and it must have been obvious at that time that the first 30 miles were

unproductive, because you only have to be there to see that it is sand, and that it is not a productive area. It is hilly and sandy. So it must have been obvious that this area was unproductive. But no doubt the desirable area was up here, the other 30 miles, and it was so attractive that the railroad wanted to get there first. That is competitive building, of course.

Mr. MILLAR: I follow you.

Mr. SCARTH: What we are concerned about, using the same example, is that we do not get to that abandonment conceivably if this whole line is to be pulled out of here. Then a railway responsibility would cease. In other words, because 30 miles were a mistake, the whole 60 miles must go, and it just does not make sense to the people in this area. They want it to be put together as a region.

There are a number of easily discernible transportation regions in Manitoba, Saskatchewan, and Alberta, and it could be viewed in that way, and a system could be put together which would prevent competitive abandonment from giving the same results in reverse.

Mr. MILLAR: The main point I am trying to get at is that I am saying a lot of this land would comprise some of the thousands of acres which were granted to the Canadian Pacific in return for building the railroad. Basically my question is this: now that the land is sold, is the Canadian Pacific quite happy to get out of the area and forget about the farmers that they were responsible for placing there? Will you answer that question.

Mr. JAMIESON: It could be a factor, but we would not know that at the moment.

Mr. MILLAR: Would you look at that map. It would lead you to believe so.

Mr. JAMIESON: We have another situation, Mr. Chairman and gentlemen, where it is very obvious that neither one of these lines was asked for. They are right in an area with which I am quite familiar. We have one of the best farming areas in Manitoba in the area up to here, where the track turns, yet there is not one elevator, one town, or one thing on the balance of this. This is Canadian Pacific, this is Canadian National. They come within half a mile of each other at Rivers, Manitoba.

Mr. MILLAR: Does this whole proposal for abandonment indicate that the railroad is no longer interested in transporting wheat, that it is not profitable? It must be, or else they would not move out. When you start talking about potash, the indications are that they are interested.

Mr. JAMIESON: We would like to see them prove this on a proper accounting basis.

Mr. FISHER: Your committee's organization is largely ad hoc to line abandonment, and it is apparent from your brief that you felt you could not go into detail on the bill as a whole. Was there any discussion, when your orgnization was forming, that you might bring in a critique of the bill as a whole rather than just concentrate on line abandonment?

Mr. SCARTH: I think the situation is that this organization is primarily an information gathering organization. Its primary purpose in coming here was to make the committee aware of the experience which its members have had in facing line abandonment applications in the past. The members which are affiliated with it are going to be specific critics of the bill before this committee, but this has not been the function of this association.

Mr. FISHER: In other words, the fact that your organization does not go into, for example, some of the ideas put forward by the National Farmers' Union does not mean your membership would be antagonistic to those ideas.

Mr. SCARTH: It does not mean they would be antagonistic or favourable to them.

The VICE CHAIRMAN: Those are all the questions we have.

Mr. FORBES: I would like to interject a thought regarding these branch lines about which some of the members have been asking. My understanding—and I was in Manitoba in the early days—was that a number of these branch lines were built as feeders for the main line. They were intended as a profitable enterprise to start with but they were feeders for the main line which would show profit for the Canadian National Railways. This accounts for that great section of lines you see all over the map.

Mr. FISHER: I would like to make one suggestion. If they want to get a parallel to support Mr. Forbes' argument, T.C.A., for the last number of years, has shown a profit, I think with the exception of one or two years, and yet, on a number of occasions their president has indicated that only two routes on the system are actually moneymakers. The whole thesis of T.C.A. is that these routes only seem remunerative and yet they are not, such as, for example, the route from Montreal to Toronto which actually does not pay, but in so far as it fits into the national route it is considered worth while. I think this point is often missed in connection with line abandonment in the railways' propaganda. I would suggest to you it is a good analogy. I think this would also apply to the Canadian Pacific Air Lines, although, of course, we have not had the opportunity of hearing them, but this must also be a parallel.

Mr. PASCOE: Mr. Chairman, could I just ask a final question? The witnesses have been speaking about a rational adjustment of the railway problem on a regional basis. They say that the new authority must have real authority.

Coming back to the question which Mr. Cantelon touched upon, you mentioned here one railway being able to operate over other railways' lines at certain points. On page 10 you say that the authority should be in a position to recommended this situation. Would you use a stronger word than "recommend"?

Mr. SCARTH: The brief continues "as a condition of abandonment of other lines in the area".

Mr. PASCOE: But you used the word "recommend".

Mr. SCARTH: If the recommendation is not accepted, presumably other lines would not be abandoning the area.

Mr. PASCOE: You are talking about real authority in one place and recommending it in another.

Mr. SCARTH: The railways are in a position to make application to the authority for abandonment. If they wished abandonment, I think it would be logical to request that for the remaining segments of line running rights be granted. If those running rights are not granted, it did seem logical to the members of the association that there might be no abandonment.

The VICE CHAIRMAN: Gentlemen, I want to thank you on behalf of the committee for your attendance today and for presenting your brief, as well as for being with us from early this morning at 9.30 until late this afternoon. I want to thank Mr. Jamieson, Mr. Rose, Mr. MacKenzie, and I wish to say that I forgot to introduce Mr. Scarth, Q.C., solicitor for the Branch Lines Association of Manitoba.

Mr. PASCOE: Can we point out to the witnesses that we sit in parliament until 11 o'clock at night?

The VICE CHAIRMAN: Before the committee leaves I want again to say that next Tuesday, March 30, three delegations will come before us. All their briefs have been distributed to the members this afternoon. It is my hope that next Tuesday all the members will have read those briefs and we will take the briefs as read and have them printed as an appendix to the meetings' proceedings and thereby save more time for questioning.

THE BRANCH LINES ASSOCIATION OF MANITOBA

DIRECTORS

Representing Branch Line Associations:

MORRIS-ROLAND-THOMPSON
R. Hink, Miami
LORNE
Gordon Lowery, Altamont
ARGYLE-STRATHCONA
H. D. McLaren, Neelin
RIVERSIDE-WHITEWATER-CAMERON
Felix Fitzpatrick, Dunrea
DUFFERIN-MACDONALD
T. A. Johnson, Carman
SOUTH WEST
A. E. Andrews, Coulter
MORTON-WINCHESTER
Cam King, Deloraine
BUTLER-CROMER-WOODNORTH
Thos. McIvor, Ebor
VARCOE-WELLWOOD
H. Anderson, Moore Park
LENORE
Gordon Hunter, Kenton
HALLBORO-BEULAH
Don Kerr, Cardale
HELSTON-MUIR
A. C. McDairmid, Helston
ROSSBURN JUNCTION
R. dy Usick, Erickson
Alex Cleland, Rossburn
NEEPAWA-McCREARY
Geo. Carr, Kelwood
STE. ROSE
D. Mazier, Rorketon
SIFTON JCT.-WINNIPEGOSIS
John Zeplitny, Oak Brae
PORTAGE-AMARANTH
Archie M. Johnson, Langruth
GROSSE ISLE-HODGSON
John Holowka, Fisher Branch
RIDGEVILLE
John Hunter, Greenridge

Representing Organizations:

UNION OF MAN. MUNICIPALITIES
D. F. Rose, Carroll
CITY OF BRANDON
G. D. Box, Brandon
MAN. CHAMBERS OF COMMERCE
D. P. Cameron, Melita
MANITOBA FARMERS UNION
J. W. Galonsky, Winnipeg
MAN. FEDERATION OF AGRIC.
W. S. Forrester, Emerson
NORTH-WEST LINE ELEVATORS ASS'N.
R. H. Weir, Winnipeg
UNITED GRAIN GROWERS LTD.
Albert Cantin, Winnipeg
MANITOBA POOL ELEVATORS
Gregor Jamieson, McAuley

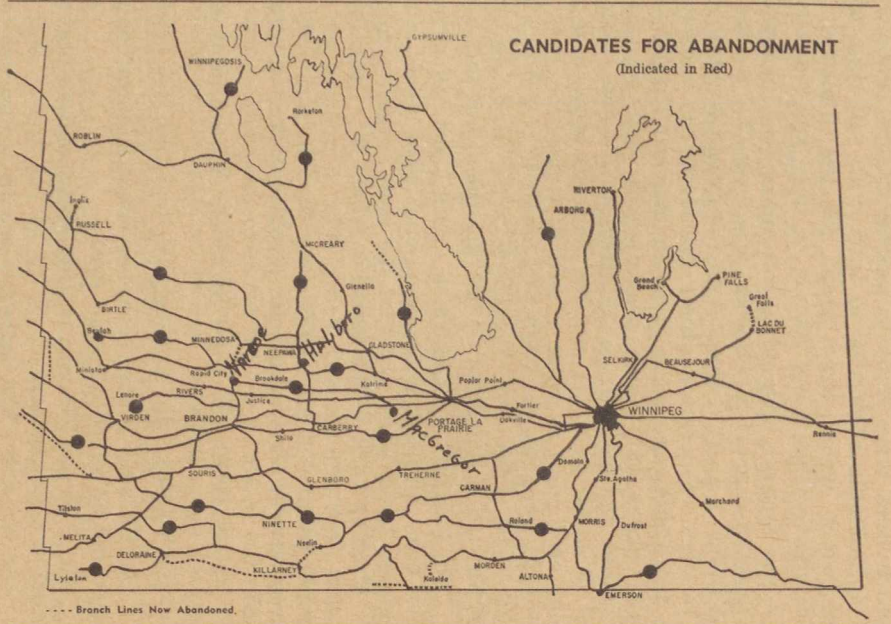
OFFICERS and EXECUTIVE

President *Remi De Pape*, Somerset

Vice-President
Gregor Jamieson, McAuley

Executive Directors
D. F. Rose, R.R. No. 1, Carroll
Don Kerr, Cardale
Bruce MacKenzie, Morris
R. H. Weir, 751 Grain Exchange Bldg., Winnipeg
A. M. Johnson, Langruth

Executive Secretary
H. E. Wood,
Room 501 — 371 Main Street,
Winnipeg 2, Manitoba



---- Branch Lines Now Abandoned.

● Branch Line Associations.

HOUSE OF COMMONS

Second Session—Twenty-sixth Parliament

1964-65

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: JEAN T. RICHARD

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

TUESDAY, MARCH 30, 1965

Respecting

BILL C-120. An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

WITNESSES:

From the *Canadian Industrial Traffic League:* Messrs. R. Eric Gracey, General Manager, John F. Cunningham, George Paul. From the *Maritime Transportation Commission:* Messrs. A. Gordon Cooper, Q.C., Counsel, Craig S. Dickson, Executive Manager, R. M. F. Armitage, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1965

21858—1

STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

Chairman: Jean T. Richard

Vice-Chairman: Mr. J. Macaluso

and Messrs.

Addison
Armstrong
Balcer
Basford
Beaulé
Berger
Boulanger
Cadieu
Cameron (*Nanaimo-Cowichan-The Islands*)
Cantelon
Cantin
Cowan
Crossman
Crouse
Deachman
Fisher
Forbes
Foy
Godin
Granger
Grégoire
Guay
Gundlock
Hahn
Hamilton
Horner (*Acadia*)
Howe (*Wellington-Huron*)
Kindt
Korchinski
Lachance
Laniel
Latulippe
Leblanc
Lessard (*Saint-Henri*)
Lloyd
Macaluso
MacEwan
Macdonald
Marcoux
Matte
McBain
McNulty
Millar
Mitchell
Muir (*Lisgar*)
Nugent
Olson
Pascoe
Prittie
Rapp
Regan
Rhéaume
Rideout (Mrs.)
Rock
Southam
Stenson
Tucker
Watson (*Assiniboia*)
Winch—60

(Quorum 12)

Marcel Roussin,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, March 30, 1965
(36)

The Standing Committee on Railways, Canals and Telegraph Lines met at 9:45 a.m. this day. The Vice-Chairman, Mr. J. Macaluso, presided during the first part of the meeting and Mrs. Rideout took the Chair for the latter part.

Members present: Mrs. Rideout and Messrs. Beaulé, Berger, Cameron (*Nanaimo-Cowichan-The Islands*), Cantelon, Cantin, Deachman, Fisher, Forbes, Granger, Hahn, Legault, Lloyd, Lessard (*Saint-Henri*), Macdonald, Macaluso, Matte, McNulty, Orlikow, Pascoe, Rock, Southam, Stewart, Watson (*Assiniboia*) (24).

In attendance: From the *Canadian Industrial Traffic League:* Messrs. R. Eric Gracey, General Manager, John F. Cunningham, George Paul. From the *Maritime Transportation Commission:* Messrs. A. Gordon Cooper, Q.C., Counsel, Craig S. Dickson, Executive Manager, R. M. F. Armitage, Secretary.

From *Canadian Pacific Railway Company:* Mr. K. D. M. Spence, Q.C., Commission Counsel. From *Canadian National Railways:* Mr. Walter Smith. From the *Department of Transport:* Mr. H. B. Neilly, Chief Economist, Railways and Highways Branch. Mr. Allastair MacDonald, Q.C.

The Committee resumed its consideration of the subject-matter of Bill C-120, An Act to amend the Railway Act, the Transport Act and the Canadian National Railways Act, and to repeal the Canadian National-Canadian Pacific Act.

The Chairman read a telegram from the National Legislative Committee, International Railway Brotherhoods to the effect that the association would not be able to attend the meeting, at which they were scheduled to appear today.

On motion of Mr. Hahn, seconded by Mr. McNulty,

Resolved,—That the briefs of the three associations invited for today, be printed as appendices to today's proceedings (*See Appendices "G", "H", and "I".*)

The Chairman introduced Mr. Gracey, and the other witnesses from the Canadian Industrial Traffic League.

The brief of that association was taken as read. The Committee examined the witnesses.

The Chairman thanked the witnesses for their cooperation and they were retired.

The Chairman begged leave from the Committee and, on motion of Mr. Regan, seconded by Mr. Cantin, Mrs. Rideout was elected as Acting Chairman.

Mrs. Rideout introduced the witnesses from the Maritime Transportation Commission: Messrs. A. G. Cooper, Craig S. Dickson, and R. M. F. Armitage.

21858—1½

The brief from that Commission being taken as read, Mr. Cooper read a supplemental submission which had been distributed in English to the Members of the Committee.

The witnesses were questioned, and retired.

It being 12:20 p.m., and no other witnesses having informed the Committee of their intention to be heard, the Committee adjourned to the call of the Chair.

Marcel Roussin,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 30, 1965.

The VICE CHAIRMAN: Madam and gentlemen, we have a quorum.

We were to have with us today the national legislative committee of the International Railway Brotherhoods. However, the clerk received a telegram on March 27 which reads as follows:

> I beg to advise that the national legislative committee, International Railway Brotherhoods will be unable to appear before the committee on March 30, 1965. We wish to reserve right to appear on later date. A. R. Gibbons, Secretary.

We will therefore not be hearing from the railway brotherhoods today but we will give them an opportunity at some future date to present their brief.

I would accept a motion to have their brief printed as an appendix to today's proceedings so that it will be available to the members before the brotherhoods appear on the next occasion.

Mr. HAHN: I will so move.

Mr. MCNULTY: I will second it.

Motion agreed to.

The VICE CHAIRMAN: The brief will be printed as an appendix to today's minutes of proceedings and evidence.

We have with us today the Canadian Industrial Traffic League. Mr. R. Eric Gracey, sitting at my immediate right, is the general manager of the Canadian Industrial Traffic League. Mr. Gracey has with him other members of his delegation from the league and I will ask him to introduce them to you.

Mr. R. E. GRACEY (*Manager, Canadian Industrial Traffic League*): I wish to express to this committee the sincere regret that the president of our organization, Mr. Victor Stroud is unfortunately ill and has been on the critical list for the last three weeks. Mr. Stroud is a man with 38 years' practical experience in industrial traffic, and I am sure you would have found his evidence most interesting.

On my right is Mr. J. S. Cunningham from Montreal. He is the chairman of the special committee set up by the board of directors of the league to study Bill No. C-120. Through his committee we discussed this bill in all of our divisions across Canada, in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec and the maritimes. The brief that you see before you now is the result of these decisions.

Mr. Paul is a special consultant whom the league has retained to deal with Bill No. C-120.

The VICE CHAIRMAN: Thank you, Mr. Gracey.

Before we commence I want to bring to the attention of the committee that we were to meet this afternoon at 3.30 or after the question period in the railway committee room in the centre block. However, I understand from the clerk that that room will not be available. If it is necessary to meet this afternoon, we will meet again in this room. Since we have only two briefs to be presented, we may be able to complete them without the necessity of sitting this afternoon.

I would also like to bring to the attention of the committee the fact that it will be necessary for me, for personal family reasons, to leave within about

half an hour. I would ask that the committee nominate an interim chairman to take the chair for today.

Mr. REGAN: Mr. Chairman, would you accept a nomination?

The VICE CHAIRMAN: Yes.

Mr. REGAN: I will nominate Mrs. Rideout to act as temporary chairman today.

Mr. CANTIN: I will second the motion.

The VICE CHAIRMAN: Are there any more nominations?

All those in favour? Contrary?

Motion agreed to.

I announced at the last meeting of this committee last Thursday that since we have had the brief of the Canadian Industrial Traffic League for a week, we will take the brief as read. It will be printed as an appendix to today's Minutes of Proceedings and Evidence. Mr. Gracey will touch only on certain highlights and make some other comments on the brief, and then he and his delegation will be open to questioning. We will do the same with the brief from the Maritime Transportation Commission. However, there is a supplemental submission from them which will be put in your hands. I feel that this perhaps can be read by the commission when they present their brief.

Mr. GRACEY: The brief is quite short. On the first page we mention that this submission does not abridge the rights of any of the league's individual members to withdraw from any of the things we state.

On page 2 we refer to clause 3, section 45A. The league wishes clarification of this statement.

We also refer to clause 5, section 156(1), and we would like to have an interpretation of the words "transportation company" and "common carrier".

On page 3 we discuss clauses 9, 10, 11 and 12 and certain sections of the act. We request that the bill be altered to provide for an appeal board for shippers. We notice that the proposed section 317 provides certain relief but we do not feel that this is a satisfactory safeguard for industry or for shippers.

At the foot of page 3 we deal with clause 15, section 326. What we ask for here is that the railways publish a price list of the class rates.

On page 4 of our brief we discuss clause 18, section 333. We suggest that the commercial terms of sale are now generally made on a basis of 30 days, and we request that any increases in rates be effective only after 30 days.

In dealing with clause 19, section 335—this is the captive traffic clause—we feel that the statutory provisions suggested here are too arbitrary and we feel that they are too rigid. We feel that they should be deleted.

On page 5 we make a suggestion dealing with clause 1 that a new paragraph be added dealing with the appeal board provision. We would like a new section to be added which would read as follows:

> "(*d*) Each mode of transport, as far as practicable, applies equitable rates and conditions, under similar circumstances, to all users."

Our main point is the provision of an appeal board to deal with captive traffic.

We also have two exhibits, the first one being an example of rates to be fixed on captive traffic. That has been prepared by our consultant, Mr. Paul. The other item is the transportation policy for Canada which was just adopted by the annual meeting of the league on February 23rd. It ties in quite interestingly with this proposed Bill No. C-120.

We would be pleased if you would direct your questions to either Mr. Paul, Mr. Cunningham or to myself.

Mr. STEWART: Mr. Chairman, I would like to refer to the example of rates to be fixed on captive traffic. There is a heading down the side of the page which reads: "Percentage reduction for larger cars" which shows, as I understand it, that the railway company would have an advantage over truck competition in commodities involving large loadings. It that correct?

Mr. CUNNINGHAM: The word "larger" quite possibly should have been heavier load.

Mr. STEWART: Yes. You are suggesting that this advantage would be very considerable by the time you get two cars loaded over 100,000 pounds?

Mr. CUNNINGHAM: By using the formula as proposed under section 335 and using the variable costs plus 150 per cent we are attempting to show in this exhibit the scale of rates that would result at the minimum. We do not have this in the exhibit but we just took it out of one of the present tariffs and we arrived at a rate for distance of $1.01. That is the closest we can get to this dollar that we show as a fixed rate. The present published rail rates in cents per 100 pounds are: 101 for 30,000 pounds, 79 for 45,000 pounds, 77 for 55,000 pounds, 75 for 70,000 pounds, 73 for 90,000 pounds, 71 for 110,000 pounds and 69 for 120,000. You can see that by using this formula, these rates would result in much higher rates than the railways had presently published. This is what we were attempting to show by this statement.

Mr. STEWART: Yes. Thank you very much.

Mr. MACDONALD: Mr. Gracey, it might be useful if we had on the record some indication of the membership association. Do I take it that your membership is primarily industrial firms who have cause to use the transportation facilities in a major way?

Mr. GRACEY: Yes, sir. We have approximately 1,200 traffic management personnel representing 550 industrial and commercial concerns. We are the shippers and we use all modes of transportation.

Mr. MACDONALD: Therefore, the transportation companies themselves are not as a rule members of the association?

Mr. GRACEY: No. They are not eligible for membership.

Mr. MACDONALD: And where would your membership be centralized. Would it be central Canada or right across Canada?

Mr. GRACEY: Approximately half of our membership is from Ontario, approximately 25 per cent in Quebec and the east and approximately 25 per cent in western Canada. This follows the industrial development of our country.

Mr. MACDONALD: Did you make a presentation as a league to the royal commission?

Mr. GRACEY: Yes, we did.

Mr. MACDONALD: Thank you.

Mr. REGAN: I wonder if I might ask Mr. Gracey to elaborate on the submission made on page 3 with reference to the proposed provision for the new bill doing away with any declaration that the railways must not discriminate. Would you like to deal with this question of discrimination as regards what harm you see is likely to develop; that there would be no prohibition against discrimination contained in the new bill.

Mr. PAUL: Yes, Mr. Chairman. That is one of the things that our members are quite apprehensive about, the fact that if this new bill is amended as proposed there will be no safeguard whatever against the railways practising discrimination. It is for that reason that we are proposing in our amendment that clause (*d*) be added to the national transportation policy so that any regulatory board will know the principle on which they should be guided. In

other words, we are asking parliament to set down the principle that the shippers should be treated equitably under similar circumstances.

Mr. REGAN: Could you illustrate by way of example how you feel discrimination might be applied in the absence of such prohibition?

Mr. PAUL: It could be applied in many ways. It could be applied in favour of large shippers as against smaller shippers. One of the factors that was discussed under this item was that one of our railways, the C.P.R., now has quite a controlling interest in other areas of industrial activity and it would be possible for them to give preference or preferential treatment to companies in which they are interested. Now that is a possibility. We are not implying that this is going to be the result but there are these areas where we feel there should be a safeguard.

As has been pointed out in our brief, this so-called safeguard in section 370 is not sufficient, we do not think, to take care of that. We feel that with a guiding line in the national transportation policy we could then safely leave all the rest of the regulations to the transport commission or some other court of appeal.

Mr. CUNNINGHAM: If I might add to that. In connection with this section, the railways would be free to set rates, set prices, without any controls; whereas we, as an industry, have the combined legislation, we have price control. We feel that this appeal board would act primarily as a policeman so to speak, where we would have some body to appeal to if we felt we were unjustly discriminated against. We are not concerned too much that the railways will misuse this power. We just feel that 10 years from now it may be that there will be a change in people, a change in attitudes. It takes quite some time to amend legislation. We feel we would like to have this appeal board in case any shipper and member of our league wishes to appeal.

Mr. REGAN: Do you see any danger of discrimination among users? Do you see a danger of discrimination of the railways arbitrarily deciding that certain cargoes would use certain ports of entry and exit and others would use other regions? Do you see this as another form of possible discrimination?

Mr. GRACEY: In exactly what way? Do you mean Canadian ports?

Mr. REGAN: Suppose the railways decided it was in their best interest to have potatoes shipped through one particular area, through one particular port, could they not then quote such a rate on potatoes to that particular port that it would be discriminatory against other areas, other ports?

Mr. CUNNINGHAM: I guess we would have to say yes, they could practise discrimination. However, we do not think they would. We think they would encourage the long haul as much as possible through Canadian ports and we also think that competition between the C.N.R., the C.P.R., and the trucking industry would overcome any discrimination between some of the Canadian ports.

Mr. REGAN: Thank you.

Mr. PASCOE: Mr. Chairman, one of the witnesses, I am not sure which, said that this Canadian Industrial Traffic League had about a quarter of its membership in the west.

The VICE CHAIRMAN: Mr. Gracey pointed this out.

Mr. PASCOE: I take it that your league is mostly concerned about rates, and so on. Do you not have any opinion on branch line abandonments in the west? You do not mention that at all. That is one of the big things in this bill, Clause 72. Have none of your members expressed any interest in it?

Mr. GRACEY: We are not opposing any change in the present arrangement of Bill No. C-120 for branch line abandonments.

Mr. PASCOE: None at all?

Mr. GRACEY: No.

Mr. ORLIKOW: I would like to direct a question to the delegation in regard to some of the things which are in this submission of transportation policy in Canada.

Clause 3 is headed government ownership versus private enterprise. The league says it firmly believes in the principle of free, private enterprise, in the transportation industry as the best method of obtaining efficient and progressive transportation. Then it goes on to say that government ownership of transportation equipment and facilities should be limited to those instances relating to national development and pioneering where private enterprise cannot serve because of high initial and development costs. Does not the league feel that this is a case where one has his cake and eats it too; in other words, if private enterprise can make money in transportation it should have the business but when it cannot and there is some risk or loss involved, then the government should take over. In other words: heads, you win; tails, I lose.

Mr. GRACEY: May I say, under item 4, we believe that the free enterprise system is the most effective way, but it also contains the right to fail; otherwise, it is subject to undesirable restraints. But, we know from history that our country has been built by the government pioneering initially and developing the country. But, once the country has been developed and once the resources are tapped, then we should turn it over, in our opinion, to private enterprise to the greatest degree possible.

Mr. ORLIKOW: With regard to clause 4, have we ever had free enterprise in the transportation industry in Canada, even before Canada was a country? Has there not always been government subsidy, regulations, directions and financing?

Mr. GRACEY: That might be true to a certain extent but there are many firms, which are private enterprisers now, which are operating in the transportation field.

Mr. ORLIKOW: But are they not all subject to regulations?

Mr. GRACEY: They are subject to regulations. But, we are all subject to regulations of some kind or another. But, there is free enterprise; many of the trucking companies are companies formed by individuals who start into business. Certainly they use government facilities but they have to pay taxes of some sort for the use of these facilities. There are privately owned aviation companies which use government facilities but they have to pay for the privilege of using them. Also, there are shipping companies of the same type.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): Is any other transportation organization free to enter the field at any time? Are they not subject to governmental decisions whether or not they should be granted a license?

Mr. GRACEY: That is true.

Mr. CAMERON (*Nanaimo-Cowichan-The Islands*): In fact, the government farms out certain privileges to private enterprise.

Mr. GRACEY: Yes.

The VICE CHAIRMAN: Would you proceed, Mr. Fisher.

Mr. FISHER: From clause 3 of the presentation I would take it that there is not any sympathy in the Canadian Industrial Traffic League for the Canadian Trucking Association? Do I read that into your recommendation?

Mr. CUNNINGHAM: When our committee was considering this particular section we felt this was an amendment to the Railway Act and, needless to say, we are in sympathy with the trucking industry in Canada, and we are

doing our utmost to build a sound trucking industry. But, it was the feeling of our members that if every rate or service that the railways desired to publish to assist the shippers in Canada could be opposed or delayed or in any way hampered by opposition of the trucking industry, when perhaps they could not provide this type of service or were not directly interested but on general principles they wished to oppose it, then we felt it was not in the best interest of the railways or shippers in Canada. For this reason it is felt they should not have the right to oppose any rail rates or services.

Mr. FISHER: Let us take a problematical situation where there could be a considerable difference of opinion on what a captive area is or what is a captive shipper. I gather from talking to the truckers that there have been disagreements in this particular area. In the determination of rates the truckers may have a very, very considerable, almost a life and death, interest in something the railways do, and yet you would block them off from making any representation of a direct kind. I suppose their only way of putting their case would be indirectly to the cabinet or the ministers involved.

Mr. CUNNINGHAM: Of course, we can argue a great deal about what is captive traffic and our definition of it; but, if the railways, in their wisdom, can capture some traffic away from the trucking industry which the trucking industry may consider to be captive traffic then, obviously, in our opinion, it was really not captive traffic; and if the railways can provide the service at a cost that is satisfactory to the shipper, then this is the way the traffic should move.

Mr. FISHER: Well, I cannot disagree with that; I am against beating my neighbour's wife. But, let us look at it from another point of view. The MacPherson commission—and the recommendations for amendments to this act are based upon its report—has the theme running through it of the beauty of the present traffic situation in Canada, and the reason they make the recommendations is really that there are so many competing modes of traffic being carried on that, in a sense, you want to insulate the railway mode from the competing modes in so far as representation is concerned.

Mr. CUNNINGHAM: Of course, as you know, the trucking industry in the United States has the right to oppose or appeal to the Interstate Commerce Commission any rail rates, and the railways can do the same against any truck rates, but this has not proven too successful. This has resulted in rates being delayed as much as two or three years waiting for hearings appeals, counter-appeals and so on. We feel this would not be in our best interest if this was allowed to happen.

Mr. FISHER: I just want to say that in the main I disagree with this. It seems to me when we are dealing with recommendations, taking about an integrated system of transportation, flexibility and competing modes, then it is time we had a regulatory authority that was able to listen to representations of all the modes. I think the American example is different by the very size and complexity of their transportation market and the tremendous variety of carriers in terms of ownership and backing. It seems to me it would be much simpler here and very easy for this board to set up rules, which would allow a sort of nominal representation. What is the difference between the set-up you have in Quebec, where the C.N.R. trucking outfit has been before the courts a couple of years and the arrangement in the United States? It seems to me that we cannot look at rates in this country in any over-all way without seeing where the trucking interest stands and, for example, where the water shipping fits in.

I know the rail-water rates would come under this; it has been the tradition that they would come under the board. But here again, we have some new concepts developing in water shipping. I am thinking of the new kind of packaging that is being developed and the rail-water-truck co-ordination.

One of the things that obviously will happen is that as the railway companies move in to this traffic with their integration of trucking interests and water interests, the independent truckers, or the non-railway owned truckers, will be put in a tougher and tougher situation.

At the very least, if one is paying more than lip service to free enterprise, one would say they should have the right to come before a board. I happen to represent a party that is not always doing obeisance to free enterprise, but if this is the general rule of the game to which one subscribes, why not make it fair for everybody?

Mr. CUNNINGHAM: We would if the trucking industry were subject to the same control by the board of transport commissioners as the railways. This is an amendment to the Railway Act. The board has control only over the railways.

I think we would subscribe to your suggestion if the trucking industry were also regulated and controlled or had to file their rates or tariffs with the federal transport board.

Mr. FISHER: What do you feel about all trucking between provinces coming under this particular board?

Mr. GRACEY: We state in our national policy, under item 9, that the league believes that the federal government should regulate interprovincial and international common carriers in the areas of public safety, uniform documentation and liability.

That is our statement.

Mr. CUNNINGHAM: In another place we indicate that carriers should file their rates. Therefore, in effect we say that for interprovincial trucking we are in favour of control by a federal body, just as the railways are controlled by a federal body and as the water carriage industry is controlled by a federal body.

Mr. FISHER: If this particular section of the bill spelled out a means whereby representation by the trucking industry could be made, not by the individual carrier but by a recognized national association, at least they would have the opportunity to come forward and express their views. Would that be agreeable?

Mr. CUNNINGHAM: We would not accept that unless the trucking industry were controlled by a federal board of transport commissioners. This national trucking association could in effect accomplish, we feel, the same delay in tactics as an individual trucker.

Mr. FISHER: Perhaps this is a hard question. Has your league come to any opinion about the horizontal integration that is taking place in the transportation industry?

Mr. CUNNINGHAM: We are in favour of and are supporting this to the utmost. We advocated and suggested this in our brief to the MacPherson royal commission.

Mr. FISHER: You want horizontal integration and yet you are not prepared to be even a bit more flexible so far as the board is concerned. You are not prepared to go so far as to suggest a master board for all forms of transportation?

Mr. CUNNINGHAM: We do not feel it would be fair to the railways or to the shippers who use the railways to allow another mode of transport, that is not in any way controlled by this federal board, to come in and delay the railways in their efforts to secure business. The railways do not have the right to appear before the provincial boards to stop the truckers from publishing a rate or a service that they may wish to put in in order to capture some traffic from the railways. We feel it would not be fair to the railways to do this. If

they were on an equal footing we would not oppose it; we would be in favour of it.

Mr. FISHER: I quite agree that there is much greater flexibility generally open to truckers to adjust rates, and I must confess my opinions rest a great dealt upon the long haul trucking rates. They tend to run parallel with and, it seems to me, just below the rail umbrella a great deal of the time.

I have no more questions.

The CHAIRMAN: Are there any further questions?

Mr. Gracey, Mr. Cunningham, Mr. Paul, I want to thank you on behalf of the committee for presenting your brief and for your attendance here today. You have been perhaps a little more fortunate than some others in regard to the questioning at the end of it, and I am sure this speaks well for the brief.

Again, I want to thank you for your attendance here today.

Members of the committee, we have with us now the delegation of the Maritimes Transportation Commission. To my immediate right is Mr. A. Gordon Cooper, Q.C., counsel. Next to him is Mr. Craig S. Dickson, executive manager; and on his right is Mr. R. M. F. Armitage, secretary.

It was agreed at our last meeting that, since the brief has been in our hands for a week, we would take the brief as submitted by the Maritimes Transportation Commission as read. However, Mr. Cooper and his delegation will deal with the highlights of their brief by reading a supplementary submission, which will be submitted by the clerk.

I will ask Mrs. Rideout to take the Chair at this time.

Mr. BEAULÉ: Madam Chairman, there is no copy of the submission in French.

Mr. A. GORDON COOPER, Q.C. (*Counsel, Canadian Industrial Traffic League*): We have just had exhibit five in our hands for a very few days and we have not had an opportunity to get a French translation done. As a matter of fact, I might say with respect to the main submission which came to us in the English form a week or two ago, we have made every effort to get a French translation and we hoped to have one here today, but we have not been able to do it, because of the difficulty, frankly, in getting a translator in Moncton to do the job for us. I can assure you, Madam Chairman, that we have, respecting the main submission, made every effort possible—because we realize the importance of having a French translation—to have one here. But we have not been able to do so with respect to the supplementary submission. We simply have not had the time, because exhibit five has not been in our hands for a sufficient length of time to provide a French translation. Therefore I would beg for the indulgence of the committee.

Mr. COWAN: Madam Chairman, if somebody wishes to submit a brief in English only, surely that is his right. This is not a government organization, and we do not have to have everything provided in both languages.

The ACTING CHAIRMAN: I think Mr. Beaulé will go along with the arrangement we have now. We have a translator here who will give us a simultaneous translation in French.

Mr. BEAULÉ: I wanted to know if it was a question of privilege.

The ACTING CHAIRMAN: I think we realize the importance of it. Since this is my first time as Chairman of a committee and particularly of the railway committee, I hope you will bear with the Chair.

Mr. BEAULÉ: Agreed.

The ACTING CHAIRMAN: Thank you. I now call on Mr. Cooper to continue.

Mr. COOPER: Thank you, Madam Chairman; I would like first to make a few introductory remarks concerning the Maritime Transportation Commis-

sion. That commission is a body authorized and supported by the governments of the Atlantic provinces. It was formed in 1925, and except for a period of four years in the early 1930's, it has been in continuous operation since that time. The commission is affiliated with the maritime provinces board of trade, and its *raison d'être* is to secure improvements in the economy of the Atlantic provinces in the particular field which is its responsibility, namely, transportation.

The submission presented to you today has the approval of the premiers of the provinces of Nova Scotia, New Brunswick, Prince Edward Island, and Newfoundland, and in addition it has been approved by the members of the Maritime Transportation Commission appointed by the government, and by the maritimes board of trade. The members of the commission so-called, in effect act as a board of directors of the commission. They are permanent business and professional men of the Atlantic provinces representing the region's many economic interests.

As the Chairman has said, there is present here today Mr. Craig S. Dickson, executive manager of the commission, and Mr. R. M. F. Armitage, secretary of the commission. Mr. Dickson will be prepared to deal with questions which members of the committee may wish to put to him on technical aspects and indeed on other aspects of the submission, and in particular, Mr. Dickson will deal with the appendices to the submission.

I would like now, Madam Chairman, to turn to the submission and merely mention some of the points which are made in it.

Mr. PASCOE: Before we proceed, Madam Chairman, has it been agreed that this submission will be printed in the report? Do we not have to agree to it ahead of time?

The ACTING CHAIRMAN: It was agreed to, before.

Mr. COOPER: I refer to the submission at page 1 where national policy and national transportation policy are mentioned in the light of the MacPherson royal commission report, and particularly to paragraph 3 which makes the point that this submission is particularly concerned with that manifestation of national policy contained in the Maritime Freight Rates Act.

On page 2, historical aspects of transportation in the Atlantic provinces are dealt with from the time of the first expression of the lower level of rates in the maritime provinces in the Intercolonial Railway rate structure, and on to the passage of the Maritime Freight Rates Act in 1927.

On page 3 transportation developments are reviewed in the light of the Maritime Freight Rates Act, and on that page appendices 2 to 7 are referred to. It is realized that the Maritime Freight Rates Act is not repealed in whole or in part by Bill No. C-120; but the brief or submission on pages 4 and 5 makes the point that it is the contention of the maritime provinces that the relative advantage which the maritime provinces, now the Atlantic provinces obtained under the Maritime Freight Rates Act has not been maintained, and that the development of transportation in the maritime provinces has deteriorated and has continued to deteriorate relative to shippers in other provinces. That is really the central point of the submission.

It is that situation which gives maritime transportation such concern. On page 7 reference is made in paragraph 27 to the submission of the Right Hon. Lester Pearson, Prime Minister of Canada, when he stated in the House of Commons on October 20, 1964, that a special examination into problems relating to the maritime transportation and the Maritime Freight Rates Act was to be undertaken. I think, Madam Chairman, it can be said beyond all measure of doubt, therefore, that the special problem of the Atlantic provinces has been recognized, and that an inquiry will be conducted into this problem in order to determine what can be done respecting our position.

Therefore in conclusion, and as stated on page 8 of the submission, it is submitted that the rate freeze now in effect under the Freight Rates Reduction Act should be maintained for Atlantic provinces rates until the special examination referred to above has been conducted, completed, and acted upon. Therefore, Bill No. C-120 should be amended by adding a clause thereto to the effect that notwithstanding anything contained in the bill the freight rates in effect as of January 1, 1965, under the Freight Rates Reduction Act for the movement from, to, and within the select territory as defined in the Maritime Freight Rates Act, shall not be increased.

With your permission, Madam Chairman, I would now like to move to the supplementary submission.

It is so closely connected with the main submission that I would like to have it before the members of the committee before questions, which may be directed to us, are asked.

Supplemental Submission of the Maritimes Transportation Commission to the Standing Committee on Railways, Canals and Telegraph Lines Respecting Bill No. C-120

1. The Maritimes Transportation Commission makes this supplementary submission with respect to Exhibit V entitled "Maritime Rate Preference Under Bill No. C-120" prepared by the Department of Transport under date of March 10, 1965.

2. Exhibit V refers to the first paragraph in the report of the Duncan Commission on maritime claims and states:

> That commission found that the preferential position of the maritimes in respect of rates on goods moving within the maritimes, which shippers in that area had enjoyed for many, many years, had been reduced by successive rate increases and should be restored.

Section 7 (formerly section 8) of the Maritime Freight Rates Act reads as follows:

> 7. The purpose of this act is to give certain statutory advantages in rates to persons and industries in the three provinces of New Brunswick, Nova Scotia and Prince Edward Island and in addition upon the lines in the province of Quebec mentioned in section 2, together herein after called 'select territory', accordingly the board shall not approve nor allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

3. It is submitted that the principal purpose of section 7 was to give an advantage to maritime shippers relative to persons or industries located elsewhere than in the select territory.

I may interpolate at this time that these references to what happened in 1927, and some years after that, are to the maritimes, but of course Newfoundland now is under the provisions of the Maritime Freight Rates Act and therefore, perhaps, when speaking of the present—certainly when speaking of what happened since 1949—you will understand that the reference should be to the Atlantic provinces.

Exhibit V states that the railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate but will still be subject to section 7 and that the railways will have to consider whether any rate action taken elsewhere will "destroy or prejudice" advantages given

shippers in the select territory "in favour of persons or industries located elsewhere." The exhibit then continues:

> This will be a question of fact and while it does not mean that every maritime rate must be kept 30 per cent below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in section 7. In any case it will be open to shippers in the select territory to complain to the board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that maritime shippers continue to enjoy rate preferences.

4. It is the submission of the Maritimes Transportation Commission that in fact the relative advantage intended to be given to shippers from the select territory by section 7 has in practice and in the competitive environment which has developed since 1927 proved to be illusory in the light of the judgments in *Province of Nova Scotia et al—Maritime Freight Rates Act—Tariffs (1936) 44 Canadian Railway Cases 289* and on appeal to the Supreme Court of Canada (1937) 46 Canadian Railway Cases 161.

This case usually and popularly is referred to as the potato case.

5. The facts of that case are, briefly, that in order to meet truck competition the railways reduced freight rates on potato shipments in certain areas in Ontario and also in certain areas in Quebec outside the select territory as defined in the Maritime Freight Rates Act. The Transportation Commission of the maritime board of trade—as this body was then called—and the Governments of the maritime provinces applied to the board for a reduction in rail rates on potatoes from select territory to Ontario and Quebec to correspond with the reductions within Ontario and Quebec, effective under such competitive tariff.

In other words, what was asked for was preservation of the relative advantage which the maritimes considered they had been given under the Maritime Freight Rates Act.

6. It was made clear that the question of the rates on potatoes were only in the nature of a test case and that the real claim of the applicants was that they were entitled to reductions upon all shipments from the maritime provinces to points in Canada where motor truck competitive rail tariffs were in force and more specifically in respect of all produce of the maritime provinces.

7. The real claim of the applicants failed despite the fact that Chief Commissioner Guthrie held that the purpose and object of the Maritime Freight Rates Act does apply to competitive tariffs established by railway companies between points outside the "select territory". In effect the real claim failed because the board held that:

(1) the only power of the board was to disallow such competitive tariffs;

(2) the board had no power to order reductions in rates on maritime products moving from the select territory in circumstances where competitive tariffs were established outside select territory by the railways to meet truck competition.

8. Chief Commissioner Guthrie then proceeded to deal with the specific claim for reduction in rates on potatoes shipped from select territory as a question of fact and found that in fact there had been no prejudice or disadvantage under section 7 suffered by potato shippers because of the establishment of the competitive tariffs in question. His conclusion in this respect is stated at page 306:

> In my opinion the applicants have failed to establish the competitive tariffs on potatoes, which form the subject of this application, have

resulted either in the destruction of, or to the prejudice of the advantages provided to shippers in the maritime provinces under the Maritime Freight Rates Act in favour of persons or industries located elsewhere than in the select territory.

That is what he found as a question of fact on the evidence which was submitted with regard to the submission on potatoes.

> The evidence submitted by the various parties represented establishes to my satisfaction that in the matter of potato shipments in Ontario the whole difficulty has arisen through motor-truck competition with the railways. Shipments of potatoes in Ontario by rail to Ontario points have become almost negligible while motor-truck shipments continually increase. The competitive tariffs established by the railways have had no effect whatever in respect of potato shipments from the Maritime provinces to Ontario points. Cancellation of these potato rates would not improve the position of maritime shippers in any degree, and would only result in depriving the railways of the small portion of the transportation of potatoes in Ontario which they have been able to retain even under a substantial reduction of rates.

9. The Supreme Court of Canada dismissed the appeal of the province of Nova Scotia et al from the judgment of the board of railway commissioners.

10. As a result of the potato case so-called maritime shippers as a body cannot obtain rate reductions relative to reductions elsewhere established by competitive tariffs. The relative advantage intended for persons and industries in the maritimes (and now for the Atlantic provinces) has therefore not been maintained and it is submitted that the intent of section 7 has been thwarted.

11. It is stated in Exhibit V that it will be open to shippers in select territory to complain to the board if their advantage is destroyed or prejudically affected by the railways rate-making policies as was the case in respect of the potato shippers in the potato case.

If a shipper who takes upon himself the very considerable burden of applying to the board succeeds in establishing prejudice or disadvantage to himself under section 7, which the potato shippers failed to do and which is a question of fact, the only remedy is cancellation of the competitive tariffs in question, not a reduction in the applicant's rate, and it is submitted that in the present competitive environment that remedy would be of no use to the shipper applicant nor to the railways but only to the trucks for the reasons given by chief commissioner Guthrie above quoted.

12. It is therefore quite unrealistic to say that the Atlantic provinces shipper has any effective means of invoking Section 7 to overcome the effect on him of competitive tariffs established outside the select territory by the railways to meet truck competition.

13. Exhibit No. 1 filed by the Department of Transport shows a downward trend in the percentage of traffic measured in revenue and carloads which moves at non-competitive class and commodity rates in the several freight rate regions of Canada. While the maritime territory, like the other territories, has had a decrease in the amount of traffic moved at non-competitive class and commodity rates, it still has the largest percentage of non-competitive traffic of any territory of Canada.

14. What Exhibit No. 1 fails to show is the effectiveness, or depth, of competition in the several territories. The showing of a percentage growth in the number of carloads, or the revenue produced by such carloads, of maritime traffic moved at competitive and agreed charge rates does not show conclusively

whether competition is effective in reducing rail rates or whether the competition is of a shallow type which has been able to make only minor reductions in the existing maximum rates.

15. The submission of the Maritimes Transportation Commission is that while the development of competition since 1949 has produced some minor rate reductions for Atlantic provinces' traffic—and to that extent may have overcome this relativity disadvantage of which I have spoken—it has been far less effective in reducing maritime rates than rates in other parts of Canada, particularly Ontario and Quebec. It is not possible to show in detail the depth to which competition has been able to reduce rates in the several regions of Canada. It is submitted, however, that appendices 2-7 to the main submission of the Maritimes Transportation Commission, particularly appendix 5, illustrate that competition for maritime traffic has not been as effective in reducing rail rates as in Ontario and Quebec. All of which, Madam Chairman, is respectfully submitted by the Maritimes Transportation Commission.

At this point may I ask Mr. Dickson to deal with the appendices to the submission as it is necessary to understand the material for an appreciation not only of the main submission but also of the supplementary submission.

The ACTING CHAIRMAN: Mr. Dickson.

Mr. CRAIG S. DICKSON (*Executive Manager, Maritimes Transportation Commission*): Thank you, Madam Chairman, and members of the committee.

I will deal first with appendix No. 1. Appendix No. 1 is a reproduction of a number of charts which appeared in a study entitled "Railway Freight Rates in Canada". This study was prepared by R. A. C. Henry & Associates, consultants, for the royal commission on dominion provincial relations in 1939. These charts show the relationship of class rates as between the several regions of Canada for several classes of traffic and for several representative distances. The Ontario-Quebec class rate scales are the base represented by the line at zero. It will be observed that the maritime line—the line represented by the Maritime class rate scales—was lower than the Ontario-Quebec line until about 1923. After the passage of the Maritime Freight Rates Act in 1927 it became lower by virtue of national policy expressed by the national freight rates act. These charts show that historically except for the 1923-27 period the maritime class rate scales have been lower mile for mile than rates in other parts of Canada as a result of government policy.

Perhaps, in order to better understand what these rate scales mean in practice, we might look at a comparison of a specific rate for the purpose of illustration.

Prior to 1912, when the first indication of increases in the maritime rate scales came along, the fifth class rate, which might be considered as an average carload rate for many manufactured products, from Halifax to Montreal was 25 cents per 100 pounds. The fifth class rate at that time from Toronto to Montreal was 22 cents per 100 pounds. So this favourable rate structure on the Intercolonial at that time provided very small differentials, to the disadvantage of the maritime shipper in relation to his competitor located in central Canada.

Now, Madam Chairman, may I turn to appendices 2 to 7 and add a word to explain what these charts are attempting to show.

Appendix 2 shows that for the movement of canned meat products, Summerside, Prince Edward Island had an advantage over its competitor at Port Dover, Ontario, in the Montreal, Quebec market of 5 cents per 100 pounds in 1930. With the development of competition from Port Dover over the years, and more particularly since 1953, coupled with the post war rate increases, this rate advantage of 5 cents per 100 pounds has become a disadvantage of

35½ cents per 100 pounds. In other words, the Summerside shipper is now 40½ cents worse off than in 1930 in relation to his competitor at Port Dover.

Appendix 3 shows that for the movement of steel bars, Amherst, Nova Scotia had an advantage of up to 30 cents a ton in relation to Montreal in the Quebec market in the early 1930's. With the development of truck competition coupled with the post war rate increases between Montreal and Quebec, this advantage has become a disadvantage of $3.20 per ton. In other words, the Amherst shipper is now $3.50 per ton worse off in relation to his competitor than he was in 1934.

Appendix 4 shows that the Sackville, New Brunswick manufacturer of stoves and ranges had an advantage of 20 cents per 100 pounds in the Montreal market in relation to his competitor at Hamilton, Ontario when the Maritime Freight Rates Act was passed in 1927. With the phenomenal growth in competition between Hamilton and Montreal, coupled with the application of the post war increase largely in full, to the Sackville traffic, the rate relationship between the two manufacturers has been distorted until the Sackville company is now at a disadvantage of 21 cents per 100 pounds. In other words the Sackville stove manufacturer's rate position in the Montreal market has been worsened by 41 cents per 100 pounds since 1927.

Appendix 5 shows that a Nova Scotia canner of apple products had a rate relationship with his competitor at Thornbury, Ontario in the Ottawa market which left him with a disadvantage of 16 cents per 100 pounds in 1937. Following various changes both upward and downward, the disadvantage of the Nova Scotia producer is 35½ cents per 100 pounds or more than double what it was in 1937. It should be noted that the rate of 78 cents from the Annapolis Valley today is an agreed charge presumably to meet competition. Because of the distance involved, I submit that increased competition is not going to reduce the Annapolis Valley rate to its original relationship with Thornbury. In fact, I doubt that increased competition will reduce it any at all—it may only keep it from advancing rapidly. It should also be noted in respect of Appendix 5 that the rate from Thornbury is lower today than it was in 1937. It has escaped all post war increases!

Appendix 6 shows the relationship of rates on basic iron and steel products from Sydney, Nova Scotia to Montreal, Quebec versus from Hamilton, Ontario to Montreal, Quebec. It shows that the gap between the Sydney company and the Hamilton company has grown over the years, particularly during the period when navigation on the St. Lawrence seaway is possible.

And finally, appendix 7 shows the effects that horizontal freight rate increases have had on rate relationships. The rates shown in this appendix are those applicable on wall plaster from Hillsboro, New Brunswick and from Montreal, Quebec to Toronto, Ontario. In this appendix both rates have been increased by all authorized horizontal freight rate increases. Because the Montreal rate was lower originally (actually 14 cents per 100 pounds) it has not advanced as many cents per 100 pounds as the New Brunswick company's rate has. In this case the New Brunswick company's disadvantage of 14 cents has grown to 21 cents and were it not for the increased rate of assistance provided by the Maritime Freight Rates Act in 1957 the spread would have increased to 24 cents instead of 21 cents. Thus, while both these rates have taken the same percentage increase, it is the relationship of rates in cents per 100 pounds or cents per unit of traffic that is the meaningful figure for shippers or receivers.

The ACTING CHAIRMAN: Thank you, Mr. Cooper and Mr. Dickson.

Mr. Stewart has indicated that he wishes to put a question.

Mr. STEWART: Madam Chairman, I would like to begin by congratulating the Maritimes Transportation Commission for a very well organized presenta-

tion to us today. I think those members of the committee who do not come from the Atlantic provinces, and who do not therefore bring to the committee a background of understanding in this matter, undoubtedly will realize how justified are the complaints of the commission from the representations made here this morning.

There are a few questions I would like to ask; and first I would begin by asking the representatives of the commission if they think it would be possible to maintain statutory advantages, such as those set forth in the Maritime Freight Rates Act, in a transportation environment parts of which are increasingly competitive.

Mr. DICKSON: Mr. Stewart, if I may repeat your question to get it clear in my mind was this: Is it possible for the intended statutory advantages of the Maritime Freight Rates Act to be retained in a transportation environment which is competitive in many ways and yet is not evenly competitive throughout the nation. As the Maritime Freight Rates Act is drafted now, it is not possible, or we would not have been able to have presented the evidence we have shown to you.

I would not want to suggest that it is not possible to restore the intended statutory advantages of the Maritime Freight Rates Act in that type of environment. I think men of goodwill and ingenuity should be able to find a way by which the intended position of the maritimes could be maintained in a competitive environment of uneven degree.

Mr. STEWART: In other words, your answer to my question would be yes, is it possible?

Mr. DICKSON: Yes, I think it would.

Mr. COOPER: May I add that undoubtedly the ways and means of accomplishing this result would be one of the central points in the inquiry which the Rt. Hon. Lester B. Pearson has said would be made into the problems relating to maritime transportation and the Maritime Freight Rates Act.

What we are asking for in our submission is that our rates, or those rates under the Freight Rates Reduction Act, be maintained at that frozen level until this question has been explored in the special examination which will be made.

Mr. DICKSON: May I add one other comment there, Mr. Stewart?

At the top of page 8 of our main submission we say "such an examination"—a special examination—"must have as its primary objective the restoration, in this competitive transportation era, of the national policy respecting transportation for this region of Canada that was originally expressed", and so on.

Mr. STEWART: I would like to ask, Madam Chairman, how the commission foresees that the formula laid down in Bill No. C-120 for fixing the maximum rate to be applied to captive traffic would be affected by the reduction prescribed by the Maritime Freight Rates Act.

What I would like someone to do is to go through the administrative process by which the maximum rate would be attained, and then the process by which the maximum rate which ordinarily would apply would be affected by the terms of the Maritime Freight Rates Act.

Mr. DICKSON: Well, Mr. Stewart, Bill No. C-120 provides that maximum rates are subject to the Maritime Freight Rates Act. I shall try to illustrate the mechanics by giving a maximum rate and what might happen to it, because that is what I think you are interested in.

Let us suppose that a shipper goes to the board of transport commissioners. If he can establish all the requirements which are now provided for him to meet in the bill, and it can be determined that he is entitled to a maximum rate, then presumably the board of transport commissioners will fix a maximum

rate for him. Suppose that the maximum rate was fixed at $1.00. If it is for a movement between points within the maritimes, then as I read the bill, and I hope I read it correctly, the maximum rate of $1.00 so determined by the board shall be reduced by 20 per cent under the Maritime Freight Rates Act.

If the $1.00 rate applies from a point in the maritimes, in the Atlantic provinces; that is, in the select territory, to be technically correct, to a point outside select territory elsewhere in Canada, then the maximum rate so determined by the board would be reduced by 30 per cent on that portion of the rate which is within select territory. You will never have a rate reduced by 30 per cent, because, as those of the members who are familiar with the Maritime Freight Rates Act will realize, the 30 per cent shall apply only on that portion of the rate within select territory.

So, in our hypothetical example, to illustrate it more graphically, if it originates within select territory or 500 miles from the boundary to a destination point, let us say, 500 miles on the western side of the boundary, the reduction would be simply 15 per cent of the entire rate.

Mr. STEWART: I wonder if Mr. Dickson realizes that in describing the process he has at no point made reference to the rates prevailing elsewhere in Canada. In other words, Mr. Dickson, I am asking you if section 7 of the Maritime Freight Rates Act has now lost all practical significance. Madam Chairman, I was interested to see if at some point in describing the process he would attempt to relate the rate to be applied in select territory to a rate to be applied elsewhere. It is quite clear that this expert in transportation matters feels that the significant section 7 of the Maritime Freight Rates Act has been completely eradicated; in fact, it is eradicated so far that in his thinking it is not to be applied at all.

Mr. DICKSON: What you are saying is that I failed to answer the second part of your question, and indeed I realize that I have. I feel that the maximum rate scheme of the bill will further erode what little protection we have outlined in our supplementary submission. As you will gather, this is very difficult. Although I would not be quite prepared to say that it might not give us any protection, there might be an isolated instance where you could be prepared to say so, but I just cannot picture what that might be. It might at any time that the railway would indicate that there was truck competition somewhere; within such circumstances which are in effect in the future it might provide effective protection. I think, too, the Maritime Freight Rates Act envisages the relationship of what might be called non-competitive rates either class, or commodity rates, and that this type of rate, although not necessarily disappearing completely as a result of the bill, is sort of going to flow away, or go away like snow in the spring. There will not be these guideline rates to which maritime rates have been related in the past.

Mr. STEWART: I am trying to ascertain why the Maritime Transportation Commission is so unhappy about this legislative proposal. Am I correct in understanding that because of the decision made in the potato case, it would now be fair to say that the board of transport commissioners has decided that generally speaking it has no power to invoke the remedies, which will be necessary to maintain the statutory advantages laid down in section 7?

Mr. COOPER: That is correct.

Mr. STEWART: That is what you are losing now in the new legislation.

Mr. DICKSON: The board has no power to invoke the protection under section 7 where competition is shown. Of course, as more and more competition has been shown between points particularly within central Canada, that power has become less and less able to provide what it was intended to provide.

Now, Mr. Cooper's comment was that your assumption was correct, but that it has to be qualified with the fact that when there is competition shown under the existing schedule, under the existing scheme of section 7 today—and as you would appreciate the philosophy of the bill is increasing competition, more realized competition—section 7 of the act becomes less and less effective.

Mr. STEWART: You people believe that the statutory advantages established under the Maritime Freight Rates Act have been lost sight of, and you now fear that sight of those advantages will be lost irrevocably.

Mr. DICKSON: Yes.

Mr. COOPER: Yes, I would say that that was correct. We are moving into and within a more intensive area of competition. As we move into the area where competition is the governing factor, as I understand it, under Bill No. C-120 we are fearful that our position will even further deteriorate as more and more competition derives, and so on and so forth, in points and in areas out of select territory. We want to preserve the position we presently have with respect to these rates under the Freight Rates Reduction Act, and until at least this special examination has been made into our situation in the Atlantic provinces.

Mr. STEWART: I have two or three questions which will not take up too much time. I would like to ask if the commission is satisfied that the formula laid down in the proposed legislation is fair for determining the maximum rates, first, to shippers of commodities, light loads, heavy loads, bulk loads, and is it fair as between shippers of different commodities; and secondly, as between truckers and the railways.

Mr. COOPER: Well, Mr. Stewart, that question is under active consideration now by the Maritime Transportation Commission in consultation with other provincial governments interested in the bill. This submission we have made today is on the general principle of the bill as it effects the Atlantic provinces. We expect at some time in the future, that we by ourselves, or acting in association with other governments, would present our considered views on the questions you have raised before the committee. I do not know if perhaps we could go any further than that at the moment, although I am not attempting in any way to evade the question.

Mr. STEWART: I think that if more is to be said later perhaps all that could be said now is that there is some doubt evidently concerning the suitability of the 15 ton test of the amount of the maximum rate.

Mr. COOPER: There certainly is doubt now.

Mr. STEWART: Is the commission familiar with some discussion which took place recently concerning a proposal to increase competition by constructing a highway from Montreal to Moncton? I do not know if you have read yesterday's Montreal *Star*, but the matter has reached the stage where it has now become the subject of cartoons. Are you familar with the proposal, and if so, what do you think would be the effect of such a highway on the solution of your problem?

Mr. DICKSON: Well, Madam Chairman, in answer to Mr. Stewart's question, the highway you refer to is commonly called in the Atlantic provinces the Corridor road and the commission has said that this road would help to shorten the distance between the Atlantic provinces and our major markets, and that it might be of considerable help to the region. There might be other variations of the idea of shortening the distance between the Atlantic provinces and her major markets to be considered as well. But in any event I think it would be fair to say that anything which would shorten the distance between the Atlantic provinces and their major markets certainly would be welcome.

Mr. STEWART: Those are all the questions I wanted to ask.

The ACTING CHAIRMAN: Now, Mr. MacEwan.

Mr. MACEWAN: I want to ask Mr. Cooper, now that Mr. Stewart has gone into the matter of the cases which have been decided and so on, if the Maritime Transportation Commission, having regard to what the Prime Minister said in October, believes that this special examination should take the form of a royal commission inquiry into the matters concerning maritime freight rates?

Mr. COOPER: The commission has no settled views on it. Certainly we are not inflexible on the subject of the form, whether it should be a royal commission or a special study. We are prepared naturally to give every possible co-operation to the form of inquiry which is set up. If it were done by way of a special study, I think it would be safe to say that certainly we would have no objection to that course being pursued.

If, on the other hand, it were found that a royal commission was a better vehicle for this purpose, we would likewise give naturally every co-operation to such a commission, and we would be satisfied with that form of inquiry.

Mr. MACEWAN: If a special inquiry were carried out, what would you envisage to be the necessary bodies to take part in it? I suppose it would include the board of transport commissioners, and so on?

Mr. COOPER: We would expect, if a special commission were established, that we would certainly be given every opportunity to make our views known to those engaged in making the study, and we would expect also that the person or persons conducting the study would consult the people interested in the Atlantic provinces who are concerned with the transportation picture in that area.

Mr. DICKSON: The only addition I would like to make to that is that the form is not as important as what it is going to do. As we said, its primary effect must be the restoration in this competitive area of the national policy respecting transportation in the Atlantic provinces, and we feel this must be its primary objective. The form it might take is only secondary.

Mr. MACEWAN: It is your conclusion that the rates now in effect under the Freight Rates Reduction Act should be maintained in the Atlantic province rates. I take it that it could be said that if this is done, and if Bill No. C-120 or whatever comes from it should go before the house and be passed, that that bill, once passed, would come into effect and would begin to work throughout the country. Perhaps this would give your own commission, and the provincial governments and so on a good opportunity to assess what the effect has been on other parts of Canada. In that way we can meet the competitor, and know just how it will affect the maritime provinces.

Mr. COOPER: That is quite right; we would agree with that entirely.

The ACTING CHAIRMAN: Now, Mr. Hahn.

Mr. HAHN: Madam Chairman, I would like to get a little information if I can about the Maritime Freight Rates Act. Since I come from central Canada I am not familiar with that act. I gather that section 7 would prohibit the railways from making a rate outside of select territory which was so low as to destroy the advantage that exists within the select territory. Is that correct?

Mr. COOPER: It is the indication of section 7, as we see it, that the relative advantage of the person in select territory or of the shipper, is to be preserved with the result that if the rates were lowered outside the select territory, corresponding reductions would be made in the select territory to maintain the relationship.

Mr. HAHN: Did the act set out the relationship from within and outside the territory?

Mr. DICKSON: I shall try to answer that, Madam Chairman. The act said that all existing rates in effect when the act was passed in 1927 were to be cancelled, and that all existing maritime rates were to be cancelled and new rates were to be filed reflecting the percentage reductions required by the act. This was said to be the new relationship. The relationship was to become this, so we would suppose that the act was to reduce the maritime freight rates by the percentage required. This was to be the new relationship between the maritime rates versus the rates outside. Maybe I am reading too much into it. But I think you cannot get much less out of the intent of the act and section 7 in particular. Section 7 was to maintain this relationship to rates either inside or outside, as they may change in the intervening years. And as we have said over and over again today, since the potato case came along we found there was a flaw in it.

Mr. HAHN: When the act establishes a differential, presumably it forces the rates down below the norm in the select area. Do the railway companies absorb the cost of that differential, or does the act provide for any assistance in that respect?

Mr. DICKSON: Oh, no, sir. The passage of the Maritime Freight Rates Act and its existence today have not had any adverse effect on the railways' revenue, because for any reducation they make in freight rates in select territory they are reimbursed by federal subsidy.

Mr. HAHN: I gather your view is that the principles of the national transportation policy as outlined in Bill No. C-120 are not necessarily the answer. What is necessary is to go back to the principles of national policy enunciated in the Maritime Freight Rates Act and to bring this legislation up to date.

Mr. DICKSON: Yes, subject to the qualification that we have some reservations concerning the national transportation policy expressed in Bill No. C-120.

Mr. HAHN: Which you have not as yet presented to us.

Mr. DICKSON: No.

Mr. REGAN: Madam Chairman, I have several questions. First of all, turning back to the question I raised with the previous witnesses who made a presentation this morning, I wonder whether either of these gentlemen would care to comment on whether or not you think there is any possibility of regional damage as a result of any railway policy—either rate making or other policy—that would arise from the lack of prohibition against discrimination in the new legislation.

Mr. COOPER: Without attempting to evade your question, I should say that is a matter which is under active consideration by the commission in co-operation with the governments of the other provinces. Any view we might express now perhaps would be unfair in view of our consultations which I have mentioned in anticipation of a presentation which will be made at a later date. It is fair to say, as Mr. Dickson just mentioned to me, that it is considered by the Maritimes Transportation Commission that there should be some provision in Bill No. C-120 to guard against unjust discrimination.

Mr. REGAN: I see. I gather, and have gathered for some time, that your case is predicated upon the lack of competition from trucks as a means of long range transportation; that is, competition with the railways in the maritime region, and the fact that such competition does exist in central Canada which has a detrimental effect on rates in the maritime region. In dealing with this question an official of the Department of Transport testified before this committee that he felt the truck competition to the railways on cargo to and from Ontario was increasing rapidly, and he felt the time was not too far off when there would be a truck competition situation betwen trucks and rail-

ways on cargoes moving between central Canada and the maritimes. I found that quite a remarkable statement. Do you agree that this is the situation, and if not, do you feel there is any increase in the truck competition? Have you done anything in respect of projecting what it will be in the future?

Mr. DICKSON: I would think that certainly the Maritime Transportation Commission and the governments of the provinces would be most anxious to encourage that truck competition. In the supplemental submission we have attempted to say that exhibit I filed by the Department of Transport personnel indicates a growth in traffic moving within the maritimes and from the maritimes at competitive rates, and agreed charge rates, as it does too for traffic moving in other parts of Canada. We cannot give you a detailed statement on this, but we can find indications that while competition may be growing, its effectiveness or its depth, as we put it, is not as great in the maritimes as elsewhere.

Let us take a look at appendix 5 for a minute. In explaining appendix 5 I mention that the rate from Berwick, Nova Scotia, was an agreed charge, presumably made to meet competition of other carriers. That rate has been reduced from the peak in December, 1958, to a level somewhat lower; but that reduction is nowhere near as great, nor as deep, as the reduction that the Thornbury shipper received when his rate fell, first of all in August, 1953, from a level almost near ours down to considerably below and now lower than it was in 1937. Even with the increasing competition, there is the matter of the extra miles which have to be covered to move Atlantic province shipments—and if you are talking about manufacturing in Newfoundland, we have a lot more extra miles. The movement of Atlantic province shipments to the major markets just means that competition, as keen as it may be today—and even becoming a little keener in the future—is not, by itself, going to restore the relationship that we did have.

Your question really is in two parts; what have we done in the past and what is projected for the future? We would hope that increased competition would come along, and we would like to encourage it to the extent that it will restore and maintain the relationships. But, can it do it by itself? There is very grave doubt in our minds that it can.

Mr. REGAN: Still dealing with the question of developing trucking competition, I would like to refer to the corridor highway across Maine which was brought up by Dr. Stewart. Does the Maritimes Transportation Commission have any view in respect of whether the building of such a highway alone would make sufficient competition to create a competitive situation for long range trucking, to the extent that the cost of such a highway would be justified? Has the board given this matter sufficient thought to enable it to indicate whether a two lane highway can be efficient for long range trucking competition because of the fact that a two lane highway tends to restrict the speed of trucks when they catch up with slower moving traffic as the trucks do; do you feel the expenditure for a four lane highway would be worth while; do you feel that a corridor highway alone, if other highways in the maritimes were not reconstructed, would be of general use?

Mr. DICKSON: We have not gone into a study of the type you have in mind, but I would like to say, since I may not have made it too clear, that by itself the corridor road would not help some of the more extreme areas of the Maritimes. You have the problem of roads within the maritimes. Let us take a look at the southwestern part of Nova Scotia. Truck traffic originating in the Yarmouth, Shelburne, Annapolis valley area must come up around by Truro and Moncton in order to get around the Bay of Fundy which makes a great indentation in our coastline there. So, while the corridor road will shorten the distance from such points as Saint John and Fredericton it will not have the same effect

on shortening distances from Yarmouth. Perhaps a ferry across the Bay of Fundy might need to be involved in this.

Mr. REGAN: I was coming to that.

Mr. DICKSON: As you point out quite rightly, there is the problem of the road system in the maritime provinces themselves, and of course when we get to Newfoundland we have another great qualification because of the extra distances. There is another ferry haul and the long circuitous route from Port aux Basques to St. John's.

Mr. REGAN: From what you have said I gather you feel that as part of an efficient national transportation policy to enable truck competition to serve transportation needs in the maritime region, there should be massive federal government participation in all-weather highway construction in the maritime provinces. Is that accurate?

Mr. COOPER: We would welcome any massive federal participation.

Mr. REGAN: Of any kind. Again I feel that the ferry services between western Nova Scotia and Saint John at the present time are not adequate to serve the trucking interests. Would you elaborate on that; do you agree, under the present system of handling the goods from one railway service to another, that rail transportation into western Nova Scotia also is inefficient and that a car ferry which could handle a railway car would be needed to overcome that difficulty?

Mr. DICKSON: That is a very big question. You and I know what the situation is, but in order to get the situation fairly in all our minds, I might say that the existing ferry does not carry trucks of any size. I do not recall from memory what the largest size of truck which can be carried is, but I think it probably is in the nature of a few tons; it is nothing like the commercial unit we see today on the highway.

Mr. REGAN: Is this not a worn out ferry brought down by the C.P.R. from the west coast?

Mr. DICKSON: I would not want to agree with the adjective you used to describe the ferry, but it is not a new ferry. The service has been there for years. There is a new ferry on that service, but it is not a newly built ferry.

Mr. REGAN: And is not designed for the needs.

Mr. DICKSON: It is not designed to carry truck traffic and does not carry rail traffic. All rail traffic has to be off-loaded and reloaded. It is a freight bulk route, as we call it, technically.

Mr. REGAN: I note that you have not dealt with the question of export or import rates for cargo moving from central Canada through ports in the maritimes such as Saint John, Sydney or Halifax. I wonder whether you have any views concerning the advantages of the Maritime Freight Rates Act, or anything similar, being granted in respect of our export-import rates to enable Canadian ports to compete with United States ports which are getting a great deal of our export-import business.

Mr. DICKSON: This is a rather difficult question. We certainly are not recommending that the Maritime Freight Rates Act be extended to the export-import rates where it does not apply now. You and I understand, but so that there will be no misunderstanding I should say that the export rates on shipments originating in the maritimes are subject to the Maritime Freight Rates Act but all other freight rates are not, and no import rates are subject to the Maritime Freight Rates Act. Certainly it well might be that the special examination which we would hope would come about before too much longer might have a look at this question. The question of the export-import rates might be one of the things it could look at. I know that a number of things are being

considered in respect of port traffic, and undoubtedly it would be difficult to look at the port traffic without considering rates.

Mr. REGAN: I note in your main submission that at some length you made the point that the topography of the maritime and Newfoundland region is such that the railways are involved in more curves and worse grades than in any other area in Canada. You made the point that this could make rail operation up to eight times as ineffective or more expensive than the operation in a flat straight area. Do you feel there would be an advantage in having portions of those areas rebuilt according to modern railroading techniques, or do you think the topographical disadvantages can be overcome?

Mr. DICKSON: I really could not answer that with any degree of accuracy. I think each would have to be examined on its own merits. This is something I know very little about. As an ordinary layman on that subject, I would think each individual case would have to be examined on its own merits; that is, how much would it cost to change the grade or curve in relation to how much more traffic could be hauled. It would really need an engineer rather than a freight rates expert like me to answer the question.

Mr. LLOYD: In view of the numerous comments and questions put by members from the maritimes, I must be very careful not to be repetitive because of the interest in this problem of other members of the committee from other parts of Canada. I can only sort of synthesize what has been said first by the witnesses and second by the questioners. What these observations really say is that you have a very complex problem if you begin with the proposition that as a policy of confederation the I.C.R. was built and that the competitive position of producers in the Atlantic region must be maintained in bringing their products to the central market. We begin with that proposition and then you require a special examination, based on this premise, of the economic and political implications and the physical problems involved. You would then explore the whole thing with a royal commission of inquiry into the problems, economical, political and physical. That is really what you are asking, is it not; are you not saying in effect that the provincial government positions have to be resolved, and that to some extent the provincial government requires the information and enlightenment that would come from a royal commission before it can take a position on the matter in representations to the national government.

Mr. COOPER: I do not think one can express it more fully or more accurately at this time than was expressed by Mr. Pearson.

> A special examination into the problems related to maritime transportation and the Maritimes Freight Rates Act—

Mr. LLOYD: I think it is pretty obvious that the Canadian National Railways took over the I.C.R. because it was laid out geographically for what at the time really was a tactical defence by the British government with regard to Canada against some developments made to the south. Subsequently, the C.P.R. comes along and builds across the state of Maine and takes advantage of a competitive position as far as rails are concerned.

You now have new conditions of truck developments and you have other new developments being proposed. Someone wanted to build a ship canal to connect the bay of Fundy with the strait. You have all these implications; and in addition, the question of the defence of Canada is no longer involved. Perhaps we think in a more practical vein of the cost of transportation.

As I see it, what you are now pleading with this national committee is that there are constitutional commitments and physical disabilities with the present facilities, and now there is an awareness on the part of provincial governments that they should be involved in economic growth. There could be some very hard decisions to make. The only way to come to grips with the problem is to

have a pretty broad inquiry into the field of transportation. That, in essence, is what you say. You do not know too precisely where you might go, but the problem is so complex that you require a complete inquiry? You support Mr. Pearson's viewpoint, in other words?

Mr. COOPER: Yes, and I would add, with special attention being given to and with special emphasis being placed upon the loss, as we have said, of the relative advantage which maritime shippers obtain under the Maritime Freight Rates Act. That is the central point of our submission. We consider that we have lost that relative advantage. We think it should be restored. We think an inquiry into the ways and means of making such restoration is necessary. That inquiry might be far reaching once one got into it, but the central point is as I have stated.

Mr. PASCOE: Madam Chairman, I hope this question is not out of order. I realize this is a brief from the Maritime Transportation Commission and that the most vocal members of the committee today are from the maritimes. However, as a member from the prairies, from western Canada, from Saskatchewan, may I ask a question that is perhaps beyond the scope of the witnesses? I am referring to the five charts in the appendices on pages 1 to 5 dealing with percentage relationships of freight rates in various parts of Canada.

These charts cover only the period up to 1940. They indicate that on the prairies the charges are very much higher, percentage-wise, than in Quebec and Ontario or the maritimes. Could the witnesses tell me whether that same situation prevails now and would be shown if the charts were carried on past 1940? In other words, are the rates in the prairies considerably higher than those in Quebec, Ontario and the maritimes?

Mr. DICKSON: Madam Chairman, in answer to Mr. Pascoe's question—and undoubtedly someone from the west would be much more qualified to answer this than I—if we are speaking of class rates alone and a comparison of class rates, which these charts are, then the prairie rates shown on the charts have, since 1955, been on the same line as the Ontario and Quebec rates.

Mr. PASCOE: They carry right on along that same line?

Mr. DICKSON: That is right. Prairie class rates have been equal to Ontario and Quebec class rates.

It was one of the prairie provinces' handicaps that the members and those associated with transportation out there had as a perennial problem for years.

Class rates are equal now. I could not really speak with any authority on other types of rates.

Mr. PASCOE: I have one other question which follows from what Mr. Regan was saying, and I may perhaps read how one veteran engineer puts it in regard to Newfoundland, but it refers pretty well to the operation of railways all over:

> Sometimes you are going uphill, and at the same time you are going downhill, and you can be going round three curves all at once.

I just put that on the record in referring to the cost of operation in this select region in comparison to the flat, level prairie land. It says here that it might be eight times as much. I am just asking, perhaps as an expression of opinion, whether the rates on the prairies should be high to maintain the higher cost of operations in other areas. That is just my western viewpoint and I would like to put it on the record.

Mr. STEWART: Madam Chairman, I have only two follow-up questions. The first is prompted by the questioning of Mr. Hahn. In the answer given to him it was pointed out that a federal government subsidy is paid to make up the difference between the rate that would normally apply and the rate which is in effect as a result of the Maritime Freight Rates Act.

My question is this: Who now gets the advantage of the subsidy—the railway company, or the maritime or Atlantic shipper?

Mr. DICKSON: Madam Chairman, in reply to Mr. Stewart's question may I say that the Maritime Freight Rates Act subsidy is a shipper subsidy, although it is paid to the railway. Certainly the whole philosophy of the maritime freight rates subsidy was to reduce the rates to the shipper, so I say it is a shipper subsidy. It is paid to the railway in return for a reduction in rates. Therefore, it is a shipper subsidy, but it is paid to the railway.

Mr. STEWART: My question goes a little further than that. Would you argue that, after the railway has increased its rates again and again in the maritime region, in reality the subsidy which was supposed to provide a relative advantage to maritime shippers is being absorbed by maritime shippers or by the railway companies?

Mr. DICKSON: Undoubtedly the payment of a subsidy helps any industry group—if you want to call Ontario a group, inasmuch as it is passed on presumably to the user. It is possibly of some help to a carrier in attracting traffic.

I think the railways attempted to pass the subsidy on to the user. If they have not done so, it is perhaps through inadvertence. I am not going to suggest for a minute that they have deliberately retained a subsidy when it could have been passed on to a shipper, but the amount of subsidy has not been adequate to maintain the relationship. It may well be that the Duncan commission, in recommending a subsidy in 1926, felt that 20 per cent was the amount needed at that time to restore the relationship, and that this percentage figure was only a secondary figure to indicate a principle.

I may not be answering the specific point of your question, but I am trying to give a little background to the 20 per cent figure. I would suggest there is nothing sacred about the 20 per cent or the 30 per cent, as the case may be; it is a figure applied to indicate the principle.

Mr. STEWART: Would it not be correct to say that to the extent the subsidy is absorbed by the railway—and we will not enter into the question of whether or not this is done deliberately—the subsidy becomes in effect a subsidy for shippers in central Canada? The railway gets more money here by reason of the subsidy. Consequently, it is able to compete more vehemently in the central Canadian area.

Mr. DICKSON: I do not think I could agree to that, Mr. Stewart.

Mr. STEWART: Well, I would go that far. The fact that the subsidy is paid only to the railways and not other carriers does mean, when they are competing for any given block of traffic, that the other carriers are at a disadvantage. To the extent that this may take place, then I suppose one could say the subsidy is not dollars in the railways pocket though it is of assistance to them in retaining that traffic.

The last question I want to ask arises out of a question asked by Mr. Pascoe. Have you inspected the report of the board of transport commissioners of March 8, 1965, on the waybill analysis?

Mr. DICKSON: That is exhibit 1?

Mr. STEWART: Yes.

Mr. DICKSON: Yes.

Mr. STEWART: I notice in your own appendix 1 you deal with class rates, yet this report of the waybill analysis shows that class rates figure to a very small percentage—for example, in 1963, three per cent—of the amount of carload traffic moved.

To what extent is your appendix 1 liable to give a distorted impression because it concentrates on a portion of the traffic which itself is only a small percentage of the total traffic?

Mr. DICKSON: You are quite right in raising the question there, Mr. Stewart. We have apparently not made clear what appendix 1 is attempting to illustrate. Certainly very little traffic today moves at class rates. Class rates do serve as the maximum or as a guide for other rates. Class rates are the maximum and so they do tend to set the pace, if you wish, for other rates.

It is impossible to give you a graphic picture of other rates because they are not "fixed"—and I use the word "fixed" advisedly there. They do not have the maximum relationship that the class rates have. As I say, class rates are the maximum, and others tend to congregate under them.

I would suggest that if traffic had continued to move at class rates, as it did at the time with which this appendix deals back in the early part of the century, then the distortion that has taken place in the relative position of the maritimes versus the rest of Canada would probably not have happened. The relationship of the class rates, maritimes versus Ontario and Quebec, has not deteriorated to any degree.

Appendix 5 deals with the current class rate from Berwick, Nova Scotia, to Ottawa, Ontario, which is 226 cents per 100 pounds. This is class 100, the first class rate. That would not be a carload rate, but it is a key rate. The rate is $2.26. The class 100 rate from Thornbury to Ottawa is $2.44. Ours is a little under, as you will note. The agreed charge rate from Thornbury is only 42½ cents, or 17 per cent of class 100, whereas our agreed charge rate from Berwick is 35 per cent.

If we had stayed on the class rate level we would not perhaps have the problem indicated in that particular appendix.

The ACTING CHAIRMAN: Mr. Granger.

Mr. GRANGER: There are just one or two questions I would like to ask which are relative to the steamship service.

The coastal service operated by C.N.R. operates, as you know, in some areas of the province where there is no other competition. They serve a captive market. One area would be one side of the Great Northern Peninsula of Newfoundland and the coast of Labrador.

How are the rates established there? Do they come under the Maritime Freight Rates Act? What is the criterion for arriving at "X" charge for a specific movement?

Mr. DICKSON: To attempt to answer Mr. Granger's question I would say that the Newfoundland coastal steamship service, as I understand it, is operated by C.N.R. for the government of Canada. The rates on that coastal service are not reduced by the Maritime Freight Rates Act. The Maritime Freight Rates Act applies to rail shipments.

Control over those rates moving between coastal points in Newfoundland rests, as I understand it, with the Canadian Maritime Commission, a federal agency of the Department of Transport.

The ACTING CHAIRMAN: Is that all, Mr. Granger? Mr. Cowan.

Mr. COWAN: Madam Chairman, the members of the Maritimes Commission will realize that what is being said here today is being taken down and printed.

I want to ask a specific question. I am from central Canada, from Toronto. We find it rather interesting that Montreal is considered to be a great lakes port—though for how much longer I do not know!

If you have a copy of Bill No. C-120 before you I would like you to look at page 20, section 329A. You will find there, for the first time, Montreal is classified as an Atlantic port, along with Halifax, Saint John and West Saint John. Are you satisfied to have Montreal, which is a great lakes port and sometimes considered as a St. Lawrence river port, considered now as a maritime or

Atlantic port as well? This makes a difference to certain subsidies, you know, for grain from western Canada.

Mr. DICKSON: For the purpose of that particular section I guess we would not really quarrel with Montreal being called an Atlantic port. I think the Halifax members would be the first people to object to Montreal being classified as an Atlantic port open all the year round!

Mr. COWAN: Mr. Regan referred to a corridor through Maine. I gather it is being considered, together with trucking commercial commodities from the maritime provinces into the central Canadian market. How much do you think moves that distance by truck today? Up in Ontario and other parts of North America a piggyback system is being used for transport by rail where the railroad bed is already in existence, in many cases rock ballasted, so we do not have to spend money on building a new road? Could the truck traffic over the corridor road not move just as well by piggyback so that the crowding of the highways could be alleviated by taking off the trucks? This method has been proven by the province of Ontario.

Mr. DICKSON: This is certainly one of the alternatives to moving traffic over roads anywhere there is a rail service available, or where a piggyback service can be provided. Whether it is the best way, the cheapest way, or the most economical way to move traffic I really could not answer the question specifically.

Mr. COWAN: I think the facts speak for themselves. All you have to do is to look at the facts to see that piggyback is growing increasingly. If you have the rails, it is shorter than a truck route through New Brunswick or the building of a corridor road through Maine.

Mr. DICKSON: Piggyback rates are based on the road mileage.

Mr. COWAN: Are you objecting to it?

Mr. DICKSON: I was not objecting to it.

Mr. COWAN: This is like saying that two and two make four.

Mr. DICKSON: If your road mileage is shorter, then your piggyback rate is lower, as I understand it.

Mr. COWAN: I think this is extraneous to the subject under discussion. I just wanted to have it on the record that if you are not objecting to Montreal being called an Atlantic port, I hope that in a couple of years from now the uproar about it will not be coming from the Atlantic provinces, because of your reply this morning.

The ACTING CHAIRMAN: Are you through, Mr. Cowan. If so, then Mr. Lloyd.

Mr. LLOYD: I have a supplementary question to the supplementary. It arises from the fact that observations were made about Toronto and Montreal. I would ask my question of either Mr. Cooper or Mr. Dickson: in view of the fact that Canada historically has maintained a tariff policy for the development of manufactured industrial products in Canada, this has been a great stimulus to the central areas of Canada. How would you feel about a commission inquiry into subsidies to shippers, such as was implied in Dr. Stewart's question, to select kinds of users, bases, and products, as being more meaningful and understandably more of an economic growth within the maritime provinces? I mean direct subsidies to shippers. How would you feel about that approach to the problem? Is it practical? We have, for example, all kinds of federal policies with respect to other products, particularly wheat and automobiles. What would you say about having it related to apples?

Mr. DICKSON: If I understand you correctly, you suggest the possibility of paying a subsidy for transportation to the shipper.

Mr. LLOYD: That is correct.

Mr. DICKSON: I have no objection to it if it is the general policy.

Mr. LLOYD: Is it something practical and feasible for a royal commission to inquire into, in your opinion?

Mr. DICKSON: We should be able perhaps to look at the method by which subsidies are paid. If there is a different way such as payment direct to the shipper, then everybody should be willing to give it consideration to see if it is a practical thing.

Mr. LLOYD: Would this not simplify the problem deriving to the benefit of the economy and helping by giving it to the transportation system?

Mr. DICKSON: There may be some administrative problems, but there is nothing wrong with it.

Mr. LLOYD: There will be nothing more complex than what there is now, surely.

The ACTING CHAIRMAN: Now, Mr. Hahn.

Mr. HAHN: I have a short question. I would like to turn to appendix five dealing with canned apples. If I read it correctly, since 1953, the shipper of canned apples from Nova Scotia has suffered from a severe freight rate disadvantage in comparison with the shipper from Thornbury. Has this had an impact on the apple industry in the maritimes? Is the shipping cost a significant part of the total cost, and if so, does the change as indicated in this appendix really affect the producer in the maritime provinces?

Mr. DICKSON: You are asking about the cost of operation between one company as against another. I really could not answer it. But I think it is fair to say that every dollar paid out by one company for transportation charges which otherwise it could escape is a dollar which the company must pay and a dollar which it does not have for use in advertising, or reasearch; or, if you want, for better profits to its investors, or for wages. You can keep on naming them, but these are three or four points I have in mind.

Mr. HAHN: Going on from the apples to the general principles that you have enunciated that shippers in the maritimes have been suffering a continuing disadvantage over the last number of years, do you contend that this has slowed down the growth of industry in the maritimes, or has had a fairly serious and detrimental effect on growth in that area?

Mr. DICKSON: Yes, we agree with your statement.

Mr. HAHN: You feel that this has had an effect on your one time position and has been of major proportion, in other words, in terms of its impact on your economy.

Mr. DICKSON: I think that any economic statistics which have been devised by government at federal or provincial level will show that the maritimes are behind, economically, and that in the establishment of industry in the Atlantic region transportation has loomed as a very big factor. We have prospective industry coming into the office from time to time and what they want to know is "how much transportation am I going to have to pay if I establish in the Atlantic provinces versus another alternative site which I am considering elsewhere in Canada?" I suppose that top officers must consider these factors, but when every one is negative, it makes it that much more difficult to attract industry to the Atlantic provinces.

The ACTING CHAIRMAN: Now, Mr. Granger.

Mr. GRANGER: My question is supplementary to that of Mr. Cowan's with respect to Montreal being an Atlantic port. That is a very interesting position. Perhaps Toronto might also be made an Atlantic port. It occurred to me that there are one or two other questions I would like to ask relevant to earlier

questions. At times both steamships and railways are involved in the same movement. In that case who sets the rate? Does it come under the Maritime Freight Rates Act, or is the rate set by the maritime commission?

Mr. DICKSON: Do you mean a movement coming from a coastal point to an inland rail point?

Mr. GRANGER: Yes, within the provinces.

Mr. DICKSON: Yes, I wanted to check to make sure that I was right. The rate for the water movement from the coastal point to the point where it connects with the railway is not the subject of the Maritime Freight Rates Act. The rate from your port to the final destination, if it is within Canada, and if the final destination is on the railway, is set by the Maritime Freight Rates Act.

Mr. GRANGER: Do you mean that there are two separate charges?

Mr. DICKSON: Yes.

Mr. GRANGER: One is not an extension of the other?

Mr. DICKSON: There might be one or two specific exceptions to that statement, I would have to re-check. But 99 and 44/100 per cent of the time there are two separate factors.

Mr. GRANGER: Perhaps this question should not be asked of you, but as a matter of fact, respecting the criteria for steamship rates, how are they established?

Mr. DICKSON: All I can say in answer to that is that it is done by the Canadian Maritime Commission.

The ACTING CHAIRMAN: Now, Mr. Southam.

Mr. SOUTHAM: I would like first of all to compliment the witnesses this morning for their very comprehensive brief and submission. For the benefit of those of you who do not know it, I come from western Canada. I note that the discusion this morning centred around transportation problems in the maritimes dealing particularly with freight rates. In the west we have a problem, of course, with rates, and with railway abandonment. There has not been any discussion of our problems. Are you people affected by railway abandonment in the maritimes at all, or are, or are there application before the board of transport commissioners for abandonment?

Mr. DICKSON: Certainly, sir; the maritimes are not affected to the same degree as western Canada in branch line abandonment. We dot not have the multiplicity of branch lines that they have in western Canada. There are I think, only three applications presently before the board of transport commissioners for abandonment of different sections of line in the three mainland maritime provision. On particular line was abandoned as of January 1, 1965, in New Brunswick.

Mr. SOUTHAM: Basically your problem would be with the application of rates. Under this proposed Bill No. C-120 it is suggested that we have a rationalization authority. We have had a number of witnesses before the committee who have been somewhat critical of this proposal. They feel it is not going to have any basic authority or have enough teeth in it. Have you considered this problem, in connection with such a rationalization authority?

Mr. COOPER: We have considered it in consultation with western provinces.

Mr. SOUTHAM: Are you prepared to express your opinion on whether you would go along with the evidence of previous witnesses, either to give the rationalization authority a great deal more authority or to enlarge the scope of the present board of transport commissioners so that they could have more freedom to move in respect of adjudicating or arbitrating various problems that present themselves?

Mr. COOPER: I would like to reserve our position on it, but at the same time I would say that our present thinking is that the rationalization authority should have more power than has now been given to it by Bill No. C-120; it should have the power to make studies and investigation on its own, and that sort of thing, with a view to emphasizing the word "rationalization" more than that word has been emphasized in the present draft of Bill No. C-120.

Mr. SOUTHAM: There is another question I would like to ask. Do you people have access, to or do you engage, so-called outside experts as far as studying the economy of various rates and their application as they affect railways and trucking? I am thinking of the MacPherson royal commission when evidence indicated that there could be a wide variance of opinion on whether some of the rates used by the railroads in setting forth their case were at variance with what the witnesses and other people affected by them thought. As a result they did get advice of independent so-called economic experts. Are you people entirely in agreement with the economic criteria or cost accounting formulae that the railroads used in presenting their opinions on this problem?

Mr. DICKSON: Sir, we feel that our ability to assess railway costs and criteria is a bit inadequate. Certainly we have no access to railway figures. I am not suggesting that we necessarily should. But this whole question of railway costs in relation to rates is something which is relatively new, and there is great emphasis on it in this bill. Here again there will undoubtedly be some reservations about the costs existing between those, who represent the shippers' interest and the railways in the days ahead. At the moment the railways' cost figures, as I say, cannot be challenged except in the way you have indicated, by bringing in your own experts. So far we have not had a demand to challenge the railway cost figures in the same way as the western provinces did in their appearances before the MacPherson royal commission.

Mr. SOUTHAM: Thank you.

The ACTING CHAIRMAN: Now, Mr. Cowan.

Mr. COWAN: Madam Chairman, Mr. Granger asked a question about rates on the coastal waters of Newfoundland. One of the gentlemen heard earlier said that the Maritime Transportation Commission would welcome any kind of assistance which the federal government might give to assist with the rates in the maritimes. I come from central Canada and I would welcome the minimum of effort given by provincial governments in the maritimes. I would like to ask the witnesses today if they think the government subsidy on steamship service in Newfoundland and on the coastal service in 1963-64 in the sum of $4 million odd is sufficient, or do they think it should be a little larger?

Mr. GRANGER: What has that to do with this committee?

Mr. COWAN: I am following up Mr. Granger's comments on the bill.

Mr. GRANGER: I may not have been in order.

Mr. COWAN: He certainly was not ruled out of order. The subsidies paid by the Canadian government for steamship services last year amounted to $9 million odd, and for that portion which had to do with Newfoundland coastal service, the amount was $8 million odd. Do they feel that they have enough, or would they be looking for more?

Mr. COOPER: I do not think this is a matter on which I or any of us are competent to express an opinion, Mr. Cowan.

Mr. REGAN: Perhaps if the maritime provinces should opt out of some of the programs which are designed to protect Ontario, they might then be in a better position.

The ACTING CHAIRMAN: Are there any more questions?

Mr. GRANGER: May I comment on Mr. Cowan's remarks?

The ACTING CHAIRMAN: If your comment is in order, yes.

Mr. GRANGER: It depends on whether Mr. Cowan's comments were in order. On the east coast of Newfoundland and in the northern part there is no other means of transportation than steamship. There is literally no competition, and this goes for the coast of Labrador as well.

Mr. MACEWAN: You mentioned three or four abandonments which were before the board now. I think the figure should be four. One of the proposed abandonments is the centre of a short line from Stellarton to Oxford Junction.

Mr. DICKSON: Yes.

The ACTING CHAIRMAN: Perhaps you will be good enough to indulge the Chair for a moment. This is an occasion which has not happened too frequently. First of all I want to tell Mr. Cooper, Mr. Dickson, and Mr. Armitage how very pleased we are to have had their brief. This is the first occasion when I have chaired a meeting since I came to the House of Commons on November 23; indeed, it is the first time that you ever had a woman chairman of the railway committee; and since I come from the maritimes I am pleased that it should be the Maritime Transportation Commission which is appearing before the committee today. Gentlemen, I thank you. We have enjoyed hearing your brief.

Mr. CANTIN: Speaking on behalf of the committee may I congratulate you, Madam Chairman, on the very fine way you have conducted our deliberations today.

(*Translation*)

This is all to your credit.

(*Text*)

Today's session may be the last meeting, at least for a time, to deal with this problem. So on behalf of the minister I would like to thank all the members of the committee for their co-operation.

The ACTING CHAIRMAN: Before we leave, since no other witnesses have informed the committee of their intention to be heard, the committee now stands adjourned to the call of the Chair.

APPENDIX "G"

Submission of the Canadian Industrial Traffic League on Bill C-120

Mr. Chairman and Members of the Standing Committee on Railways, Canals and Telegraph Lines.

The Canadian Industrial Traffic League (Inc.) is a national organization expressly serving the transportation interests of its members. We have approximately 1200 members across Canada.

The efficient and economical transportation of goods and of persons on behalf of their firms is the main responsibility of traffic management personnel. This Submission contains the views and opinions of those who directly pay the freight charges to the Canadian Railways on behalf of their companies.

This submission by the League is being made on the understanding that nothing contained herein shall be deemed to abridge the rights of the League's individual member companies to make other or separate submissions elaborating hereon or differing herefrom the views expressed in this submission.

Since 1916 it has been the endeavour of the League at all times to co-operate with the Transportation Companies, Federal and Provincial Regulatory Bodies, Royal Commissioners, and other organizations interested in the promotion, conservation and protection of a sound national transportation industry.

Our submission with respect to the contents of Bill C-120 will follow the same order as shown in the said Bill.

Clause 3, (Sec. 45-A)

Some apprehension has been expressed by our members that the wording of this section is broad enough to permit the appearance of *any* association or body before the Board, however, we interpret the section to permit the representative or agent of any provincial government or any association or other body *representing the interests of shippers or consignees* (underlining ours) in Canada to appear. If our interpretation is correct we do not have any objection to this section, however, if otherwise, then we submit that the representative or agent of any association or body representing the interests of carriers or other modes should not be permitted to appear before the Board on matters affecting the railways.

Clause 5, (Sec. 156(1)

We are in general agreement with the proposed amendment, however, there is some question as to the interpretation of "transportation company" and "common carrier" and we are of the opinion that these terms should be defined in Section 2 of the Railway Act.

Clauses 9, 10, 11, 12 (Secs. 317, 319, 320, 322, 323)

These clauses repeal the sections of the Act which prohibit undue preference and unjust discrimination and we are generally in accord with the removal of any restraints which hamper the railways in meeting competition, however we think the proposed amendments go much farther than enabling the railways to meet competition. It would permit a situation which could be seriously detrimental to shippers, if the railways were left free to publish any rate or condi-

tion irrespective of its effect on the shipping public. It is a matter of great apprehension to our members that the railways will be permitted, under the law, to practice unjust discrimination, without any recourse of appeal. The proposed Section 317 does not, in our opinion, provide a satisfactory safeguard for an industry or shipper who may suffer under unjust treatment by the railways. We therefore strongly recommend that a right of appeal be afforded to shippers where grievances can be heard and arbitrated. We respectfully suggest that the Board of Transport Commissioners for Canada be designated as the tribunal to hear and arbitrate such grievances. We have the highest regard for the ability and integrity of the Board relative to Railway matters.

Clause 15, (Sec. 326)

In view of the repeal of Sec. 332 by Clause 17, we recommend that subsection (2) of Sec. 326 be amended to read:—

> The tolls may be either for the whole or any portion of the railway but freight tariffs publishing class rates as defined in Sec. 331 (2) of this Act shall specify the rates for all distances covered by the company's railway.

Clause 18, (Sec. 333)

We agree generally with this amendment except that in our opinion the 30 days notice on increases should be retained. In most industries in Canada price lists are effective for 30 days and sometimes longer and we think 30 days notice is reasonable.

Clause 19, (Sec. 335)

This section covers the matter of rates on so called "captive" traffic. We respectfully submit that the statutory rates as covered by subsections (2), (3)(c), and (5)(b) should not be enacted. Our reasons are as follows:

1. The bases used in subsection (2) and (3)(c), also the formulae in (5)(b) are too rigid and do not take into consideration a number of very important factors which have a bearing on freight rates such as the type of commodity, loading characteristics etc.
2. These bases and formulae can not be changed except by Act of Parliament and we do not think it should be necessary to go to Parliament in order to make changes in freight rates.
3. We think the fixing of freight rates requires the application of judgment where all relevant factors are investigated and considered.

We therefore recommend that Section 335 be amended as follows:

1. Subsection (2) be ended in the third line of page 23 with the words "deems necessary fix a rate".
2. Subsection (3)—Delete paragraph (c).
3. Subsection (5)—Delete paragraph (b).

By deleting the above subsections this would then leave the matter of rates on such "captive traffic" in the hands of the Board of Transport Commissioners for Canada which in our opinion is best qualified to consider all relevant factors and prescribe satisfactory rates.

National Transportation Policy for Canada

Clause 1

We observe from the proposed amendments to the Railway Act that it is proposed to remove entirely all the restrictions against undue preference and

unjust discrimination. This situation would then permit the railways to publish any rates or conditions they please, and, in effect, they could, under the law, practice undue preference or unjust discrimination as between different shippers even under similar circumstances. It is our opinion that Parliament should express in the National Transportation Policy for Canada, the objective that each mode of transport should treat all users in an equitable manner, under similar circumstances. We therefore suggest that the following clause be added to the National Transportation Policy for Canada.

(*d*) Each mode of transport, as far as practicable, applies equitable rates and conditions, under similar circumstances, to all users.

Respectfully submitted,

March 22nd, 1965. Canadian Industrial Traffic League (Inc.)

AN EXAMPLE OF RATES TO BE FIXED ON CAPTIVE TRAFFIC BY THE BOARD UNDER THE PROVISIONS OF SECTION 335 OF BILL C-120 OF THE HOUSE OF COMMONS FOR CANADA

Rates in Cents Per 100 lbs.

	Carload Minimum Weight					
	30,000 Lbs.	45,000 Lbs.	55,000 Lbs.	70,000 Lbs.	90,000 Lbs.	110,000 Lbs.
(*a*) Variable cost	40	38(*b*)	36(*b*)	34(*b*)	32(*b*)	30(*b*)
Variable cost for 30,000 plus 150%	60	60	60	60	60	60
(*c*) Fixed rate to be paid by shipper	100	98	96	94	92	90
Rail revenue per carload	$300.00	$441.00	$528.00	$658.00	$828.00	$990.00
Percentage reduction for larger cars	—	2.0%	4.0%	6.0%	8.0%	10.0%

(*a*) A hypothetical figure which could be prescribed by the Board under the provisions of Section 335, Par. 3(*c*).
(*b*) Variable cost reduced by the formula provided in Section 335, Par. 5(*b*)(ii).
(*c*) Fixed rates computed by adding together (*a*) and (*b*).

Canadian Industrial Traffic League Inc.,
Toronto, Ont., March 22nd, 1965.

TRANSPORTATION POLICY FOR CANADA

1. Introductory Statement

The Canadian Industrial Traffic League Inc., a National organization of industrial and Commercial managers of traffic and distribution, is dedicated to and concerned with the efficient and sound economical transport and distribution of goods and persons. The Policy is based on general principles and expresses the collective convictions of the members of the League. It has been prepared for the information and use of the membership at large, without prejudice to the interests of any individual member. The League endeavours to act consistently but will not hesitate, when necessary, to add to, modify or delete statements of policy in the light of changes in law or circumstances of transportation.

2. General Statement of Policy

The League supports all movements, action, engineering and technical advances that contribute to providing efficient transportation facilities and services adequate for the general economy of the Nation. It supports: (1) competition among all types of carriers so that the advantages of each may be achieved; (2) rates to be free of regulatory control save for captive traffic

and (3) tariffs to be made available by all common carriers. Where there is no alternative to providing transportation assistance except through statutory rates or charges involving subventions, the cost should be borne by the national and/or provincial treasury.

3. Government Ownership vs Private Enterprise

The League firmly believes in the principle of free, private enterprise, in the transportation industry as the best method of obtaining efficient and progressive transportation.

Government ownership of transportation equipment and facilities should be limited to those instances relating to national development and pioneering where private enterprise cannot serve because of high initial and development costs.

4. Free Enterprise and Competition

The League believes that the free enterprise system is the most effective way to bring about increased productivity, rapid technical advances and the greatest opportunity for the greatest number of people. This system must recognize the right to fail, otherwise it is subject to undesirable restraints.

5. Rate Making and Publication

Shippers and carriers should be free to negotiate rates, terms and conditions subject to the observance of regulations such as those respecting registration, safety and dangerous goods. All tariffs of rates, terms and conditions for common carriage should be made available.

6. Rate Control

Except for captive traffic, the regulations of rates by a government agency should be discouraged.

7. Statutory Rates or Charges Embracing Subventions

When economic, geographic or other conditions exist in certain sections of Canada, which in the national or provincial interest require special treatment, the cost of transportation or burden thereof should not be placed on the carriers and thus passed on to users or buyers of transportation services. The difference in cost or charges between the determined, normal, reasonable rates and the statutory or subvention rates or charges should be borne by the national and/or provincial treasury, in such a fashion as not to distort the basic freight structure.

8. Charges for Government Facilities

Whenever practicable, the costs of building, operating and maintaining any transportation facility provided by government should be met by fair and equitable charges paid by those benefiting from such facilities, except as provided under Section 7 of this Policy.

9. Interprovincial and International Regulations

The League believes that the federal government should regulate interprovincial and international common carriers in the areas of public safety, uniform documentation and liability.

10. Complete Transportation Service by Carriers

The League believes that any carrier principally engaged in a given type of transportation service should be free to engage in any or all other types of transportation for the purpose of providing an integrated transportation service.

11. Private Carriage

The League upholds the right and freedom of any enterprise to operate its own transportation facilities, subject to federal and provincial laws or regulations respecting registration, safety and dangerous goods.

12. Right of Appeal

There should be available to shippers Appeal Boards, such as the Board of Transport Commissioners for Canada, for the hearing and arbitration of grievances.

Montreal, Quebec—February 23, 1965.

APPENDIX "H"

Submission of the Maritimes Transportation Commission on Behalf of the Governments of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland Respecting Bill C-120

Introductory

1. The Maritimes Transportation Commission welcomes this opportunity of presenting to this Committee the views of the Governments of the Atlantic Provinces on Bill C-120. In accordance with the expressed desire of the Committee this submission will deal with the substance or over-all policy of the Bill as it relates to the Atlantic Provinces and not with its detailed provisions. In other words the Commission is concerned at this time with the general effect of the Bill on the economy of the Atlantic Provinces rather than with the particular effect of any specific provision of the Bill.

National Policy and National Transportation Policy

2. The MacPherson Royal Commission report (Volume 11, pages 1 to 3) clearly sets out the distinction between National Policy and National Transportation Policy. Bill C-120 provides for a National Transportation Policy with respect to railways essentially by giving free rein to the operation of competition with other forms of transportation subject to a rate floor and, in certain circumstances, to a rate ceiling. National Policy matters as related to rail transportation are dealt with in the subsidy clauses relating to grain and grain products and passenger services and with respect to branch line abandonments.

3. This submission is particularly concerned with that manifestation of National Policy contained in the Maritime Freight Rates Act. Whilst it is true that the Bill provides that rates resulting from the operation of the Bill are subject to the Maritime Freight Rates Act it is the contention of the Governments of the Atlantic Provinces that the Maritime Freight Rates Act is not now fulfilling the purpose for which it was enacted and that the "special examination into the problems relating to Maritime transportation and the Maritime Freight Rates Act" as hereafter referred to in this submission should be conducted, completed and acted upon as soon as at all possible and that in the meantime the rate "freeze" now in effect for Atlantic Provinces' rates under the Freight Rates Reduction Act should be maintained.

Historical Aspects of Transportation in the Atlantic Provinces

4. The National Policy pertaining to transportation in the Atlantic Provinces has been historically to provide for a lower level of rates than elsewhere in Canada—rates which have never been intended to reflect the real cost of transportation.

5. This lower level of rates was first expressed in the Intercolonial Railway rate structure. Following a temporary abandonment of this policy in the period 1912-1927, the principle of a lower level of rates—rates not reflecting the real cost of transportation—was reestablished in statutory form by the enactment of the Maritime Freight Rates Act in 1927. Appendix 1 to this submission graphically illustrates the position of Maritime rates in relation to other Canadian rates for the period immediately after the construction of the Intercolonial Railway until after the passage of the Maritime Freight Rates Act in 1927.

6. In 1951 when the "national freight rates policy" of Canada was declared by amendment to the Railway Act (Section 336), the Government of Canada once again provided an exception to such national transportation policy insofar as the Atlantic Provinces were concerned and the four Provinces were exempted from the so-called "equalized" scale of freight rates.

Objective of National Policy—Atlantic Provinces

7. It is submitted that the objective of national policy of the Government of Canada pertaining to transportation in the Atlantic Provinces, as expressed over the years has been two-fold, namely, (1) to provide the Atlantic Provinces an opportunity to participate in the economic growth of Canada unhampered by transportation costs because of its scattered population and its geographic position located long distances from the major markets and production centers of Canada; and (2) to fulfill undertakings given at Confederation of uniting the various provinces into one nation.

8. The reasons for this objective are as valid in today's circumstances as they were almost a century ago. Regretfully this objective is not now being met.

Transportation Developments and The Maritime Freight Rates Act

9. The Maritime Provinces believed that with the passage of the Maritime Freight Rates Act in 1927 their transportation interests would be adequately safeguarded. Their expectations were short lived. With the rise of truck competition in Central Canada and post-war spiralling railway costs, the Maritime Freight Rates Act—while still providing reductions in rail rates by virtue of Government subsidies—has become less and less able to meet its objective. The relationship betwen the transportation costs of shippers in Central Canada and shippers in the Atlantic Provinces has drastically altered in favour of the former to the detriment of the latter.

10. Appendices 2 to 7 to this submission illustrate graphically the effects that the intense growth of truck competition in Ontario and Quebec and the post-war general rate increases have had on the competitive position of Atlantic industry in major markets. These Appendices show conclusively that despite an increase in the amount of subsidy paid under the Maritime Freight Rates Act in 1957, the Act in its present form in this competitive transportation era has been ineffective in maintaining the relationship of Atlantic Provinces artes with rates outside the region. This is not to say that the Act is of no value, for without it the Atlantic region's position would have been that much worse. But it is to say that the development of competition in other parts of Canada and the present freedom of the railways to make rate adjustments to meet such competition without corresponding adjustments in Maritime rates has been a major factor contributing to the worsening position of the Altantic Provinces in relation to the rest of Canada.

11. It is realized that the Maritime Freight Rates Act is not to be repealed in whole or in part at this time. It is pointed out, however, that the worsening position of the Atlantic Provinces in relation to the rest of Canada illustrated by Appendices 2 to 7 has taken place despite the fact that no part of the Act has been repealed; and despite the increased subsidy given under the Act in 1957.

12. While it is true that the Maritime Freight Rates Act will continue to provide the percentage reductions in freight rates required by the Act, the relationship of Atlantic Provinces rates to the rates of competing shippers outside the region can be—and, indeed, is expected to be—further distorted by the implementation of Bill C-120.

13. This is so principally because the pervasiveness of truck competition is not as strong in the Atlantic Provinces as elsewhere. Competition cannot

be expected to hold-down Atlantic Provinces rates to any appreciable extent. The Atlantic Provinces still have the largest percentage of non-competitive traffic of any region of Canada. Indeed, in many cases, truck competition is not a factor in holding down rail rates. Even for those commodities or movements that may be truck competitive, it is the rail rate level which determines the truck rate level in the Atlantic Provinces. In Central Canada the reverse is true. It is not intended to set out in this submission the reasons for the lack of pervasiveness of truck competition from, to and within the Atlantic Provinces. Many factors influence the growth of truck competition, such as, the geography of the region, the terrain, the nature of the region's commerce, to name several. Moreover, the mere showing of a growth in competition cannot be deemed as conclusive proof of effective competition.

14. It is the realtionship of rates in cents per 100 lbs. or unit of traffic that is the meaningful comparison for shippers. If an Atlantic manufacturer's rate is 80¢ as a result of the Maritime Freight Rates Act and his competitor's is also 80¢, it is small comfort to the Atlantic manufacturer to know that he is still receiving the subsidy under the Act if his competitor's rate, because of competition, falls to 50¢ while his rate remains unchanged at 80¢, or conversely when his rate advances to 110¢ because of the railways' revenue needs or costs of operations and his competitors remains unchanged at 80¢.

15. Because of distance it is not possible to expect competition by itself to maintain the relationship which the Intercolonial Railway rate structure and the Maritime Freight Rates Act originally provided.

Other Competitive Disadvantages

16. The cost of transtportation to market on the finished product is only one side of the coin. If the Atlantic manufacturer cannot secure his raw materials close at hand he may have to pay substantially more inbound freight on his raw materials than his competitor. For instance, despite the existence of an agreed charge on Steel Sheet and Plate from Hamilton and Sault Ste. Marie, Ont. to the Maritimes and incentive rates for heavier carloadings of Pig Iron, two users of these products estimate that the freight on these two raw materials alone costs them slightly in excess of $71,000.00 per year more than the weighted average transportation costs incurred on the same raw materials by four of their major competitors in Ontario and Quebec. The Maritime companies estimated that in addition they must bring into the region at least 3,000 other components in varying quantities which incur transportation costs far higher than the transportation costs incurred by their competitors in Central Canada.

17. For the Atlantic manufacturer to be competitive with other manufacturers located close to the major markets, costly warehousing facilities must often be maintained in order to provide the over-night delivery service demanded by the trend to small inventories today. All these additional costs which are incurred by the Atlantic Provinces manufacturer and not by his central Canadian competitors mean many thousands of dollars which the competitors outside the region have available to them to channel into research, advertising or more attractive profits for investors.

Incidence of Railway Costs—Atlantic Provinces

18. It will be recalled from the Intercolonial rates and the Maritime Freight Rates Act that Maritime rates were never intended to bear the real cost of rail transportation. This is not to say that railways should not be reimbursed for their services but it is to say that the national policy of Canada never intended that the cost of transportation would restrict the ability of the region to participate in the economic growth of the nation as a whole. For this reason, originally

distance was de-emphasized by national policy respecting transportation for the Atlantic Provinces.

19. Bill C-120, however, re-emphasizes distances once again by relating rates more closely to railway costs. Such a policy may very well be necessary from a national transportation policy point of view but, it is submitted that it will aggravate the position of the Atlantic Provinces and render less effective the existing national policy respecting transportation for the Atlantic Provinces.

20. As stated earlier it was never intended that the commerce of the Atlantic Provinces should bear the real cost of transportation just as the national policy of the government of Canada, which is a part of Bill C-120, does not require the Western Grain farmer to bear the real cost of transportation of grain in those cases where the existing rates may not meet the railways' costs.

21. The cost of railway operations in the Atlantic Provinces is high. The nature of the region's terrain results in sharp curves and steep grades not found in other parts of Canada. For example, the heaviest grades in Canada are not found in the Rocky Mountains but in the Province of Newfoundland.

22. To illustrate the high costs of railway operations in Newfoundland, where the MacPherson Royal Commission on Transportation found rail losses of approximately $6 million annually, the Canadian National Railways has this to say:

> Of the 547 miles from St. John's to Port aux Basques...only 131 miles are level track.
>
> The grades are steeper than those in the Rocky Mountains. More than 35 miles of track rise at from two to two and a half per cent grade, and three more miles are even steeper than two and a half per cent.
>
> The sharpest curves on the Canadian mainland are six degrees. The Newfoundland Area can boast 35 miles of 10 to 12 degree curves, and nearly a mile of 15 degree curves. The sharpest curves can be found on the steepest grades.
>
> As one veteran engineman... puts it, "Sometimes you are going uphill and at the same time you are going downhill, and you can be going round three curves all at once".[1]

23. Furthermore, the equated tonnage rating for the largest Canadian National locomotive within Newfoundland ranges from a low of 750 tons to 1,060 tons Eastbound from Port aux Basques to St. John's. On the other hand, a locomotive of approximate equal tractive capacity on the mainland has an equated tonnage rating ranging from 4,000 tons to 1,370 tons eastbound from Joffre, P.Q. to Sydney, N.S.

24. Recent studies carried out by some of the world's major railways indicate that operating costs on rail lines with heavy grades and sharp curves can be eight times as high as the operating costs on lines with easy curves and grades. Canadian National confirms that heavy grades have a significant effect on their costs.

25. While the new maximum rate control provisions of Bill C-120 will replace the former horizontal method of increasing freight rates, there is no guarantee that the railways will not continue to seek, and to secure, the greater share of their overhead costs from the shippers in the extremities of the country. The relating of rates to a fixed percentage above variable costs will mean that the long haul shipper with the higher variable costs per unit of traffic will continue to pay more absolutely to the railways' overhead costs, unless competition dictates otherwise, than the short haul competitive shipper.

26. In summary the position of the Atlantic Provinces relative to the rest of Canada has worsened since the passage of the Maritime Freight Rates Act

[1] "Keeping Track", July-August 1963, Vol. 6 No. 6 p. 17.

in 1927. The experience of the past coupled with discernible trends points to neither an improvement in the relative position of the Atlantic Provinces nor an arrest of the deterioration with the passage of Bill C-120. Instead, it is submitted that passage of the Bill would further aggravate the position of the Atlantic Provinces.

Special Examination

27. The Right Honourable Lester B. Pearson, Prime Minister of Canada, indicated the Government's appreciation of the problems respecting transportation in the Atlantic Provinces by his announcement in the House of Commons on October 20, 1964 that a "special examination into the problems relating to Maritime transportation and the Maritime Freight Rates Act" was to be undertaken. The Atlantic Provinces welcome this announced intention of the Government of Canada. It is submitted that such an examination must have as its primary objective the restoration, in this competitive transportation era, of the national policy respecting transportation for this region of Canada that was originally expressed in the intercolonial Railway rate structure and reaffirmed by the passage of the Maritime Freight Rates Act in 1927.

Conclusion

28. It is submitted that the rate "freeze" now in effect under the Freight Rates Reduction Act should be maintained for Atlantic Provinces' rates until the special examination referred to above has been conducted, completed and acted upon and, therefore, that Bill C-120 be amended by adding a clause thereto to the effect that, notwithstanding anything contained in the Bill, the freight rates in effect as of January 1, 1965 under the Freight Rates Reduction Act for the movement of traffic from, to and within the "select territory" as defined in the Maritime Freight Rates Act shall not be increased.

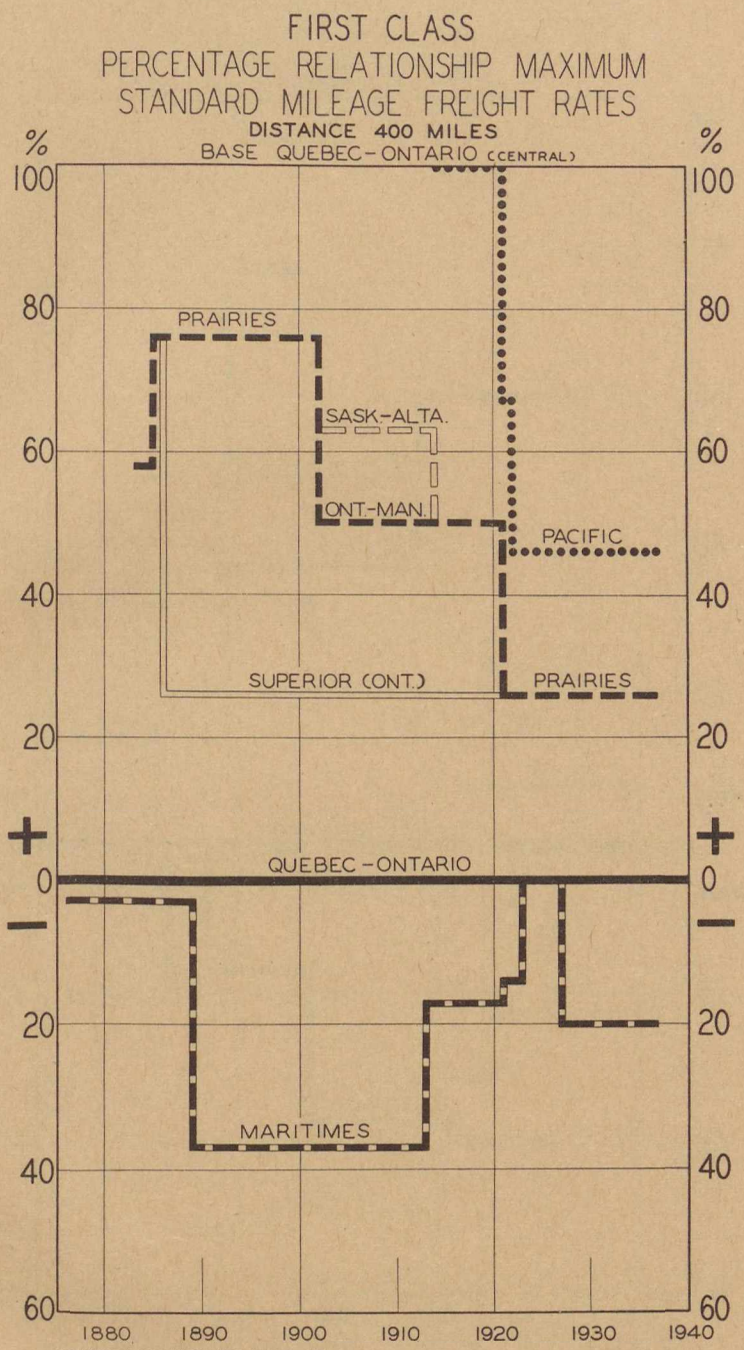
Respectfully submitted

THE MARITIMES TRANSPORTATION COMMISSION
on behalf of the Provinces of Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland

A. G. COOPER, Q.C.
of Counsel

Moncton, N.B.,
March 17, 1965.

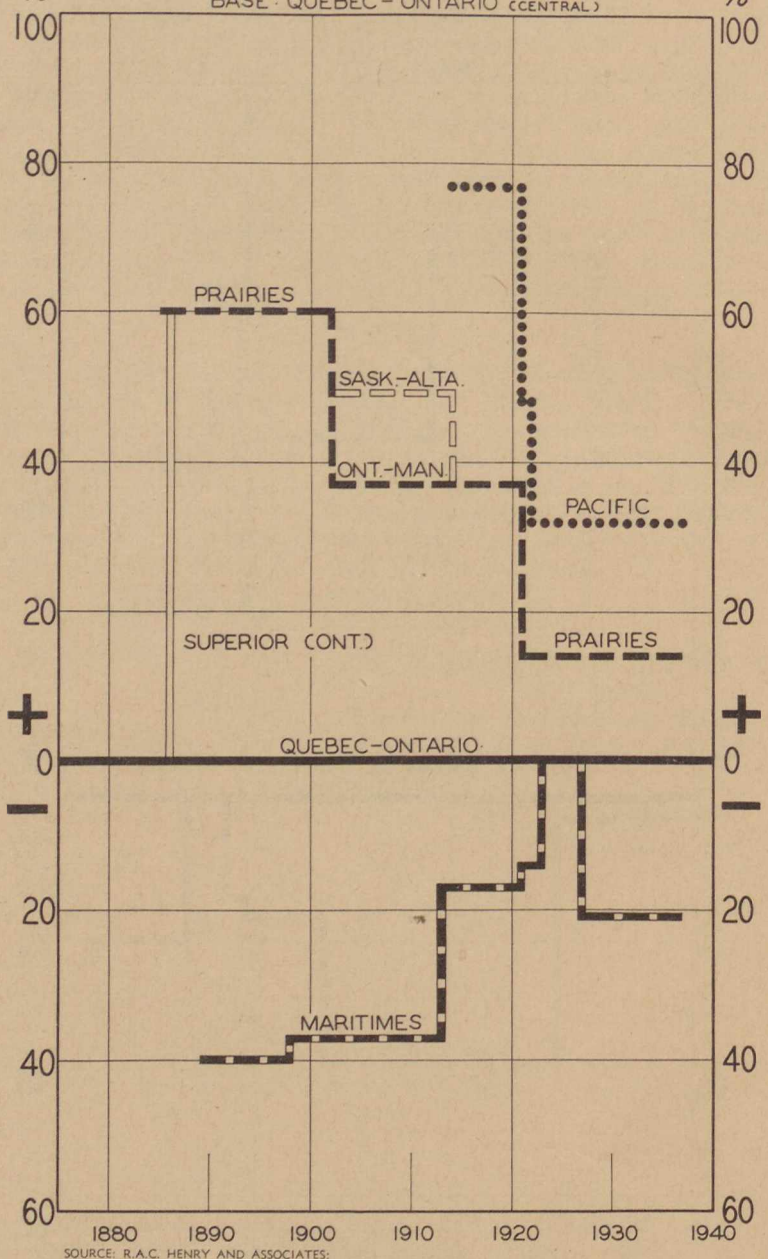
APPENDIX I
PAGE 1



SOURCE: R.A.C. HENRY AND ASSOCIATES:
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 267

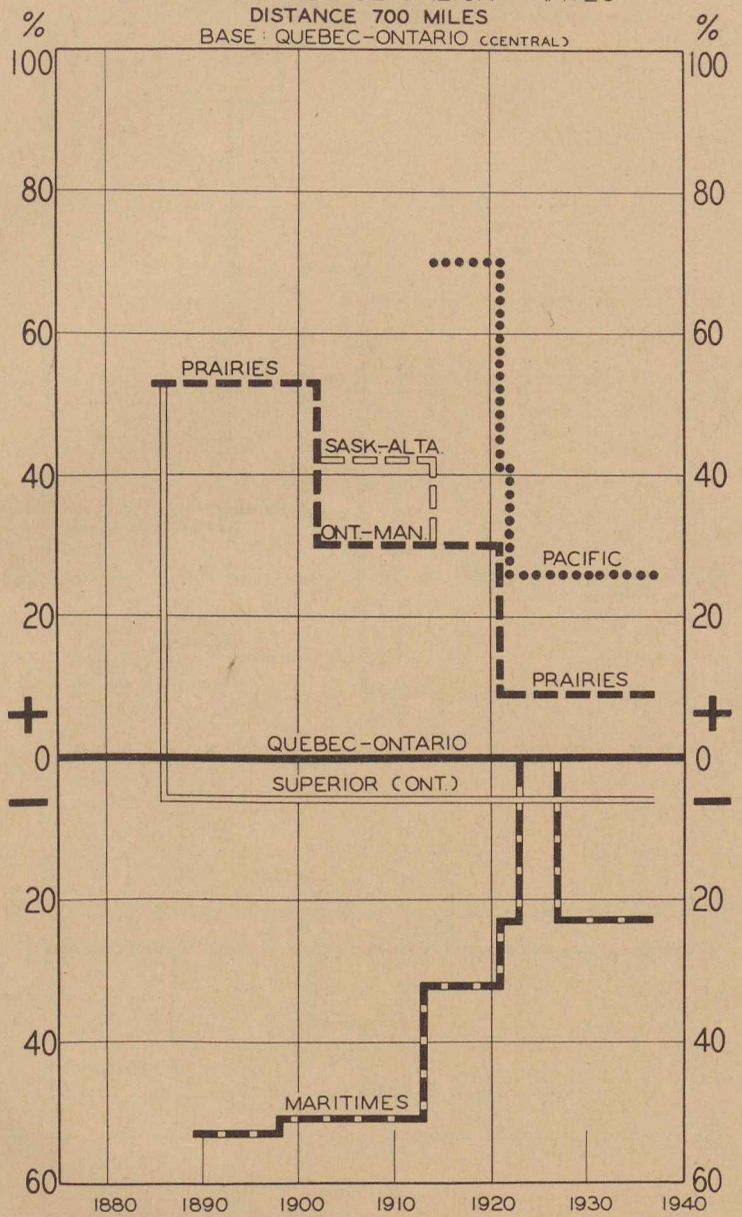
APPENDIX I
PAGE 2

FIFTH CLASS
PERCENTAGE RELATIONSHIP MAXIMUM STANDARD MILEAGE FREIGHT RATES
DISTANCE 400 MILES
BASE: QUEBEC - ONTARIO (CENTRAL)



SOURCE: R.A.C. HENRY AND ASSOCIATES:
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 270

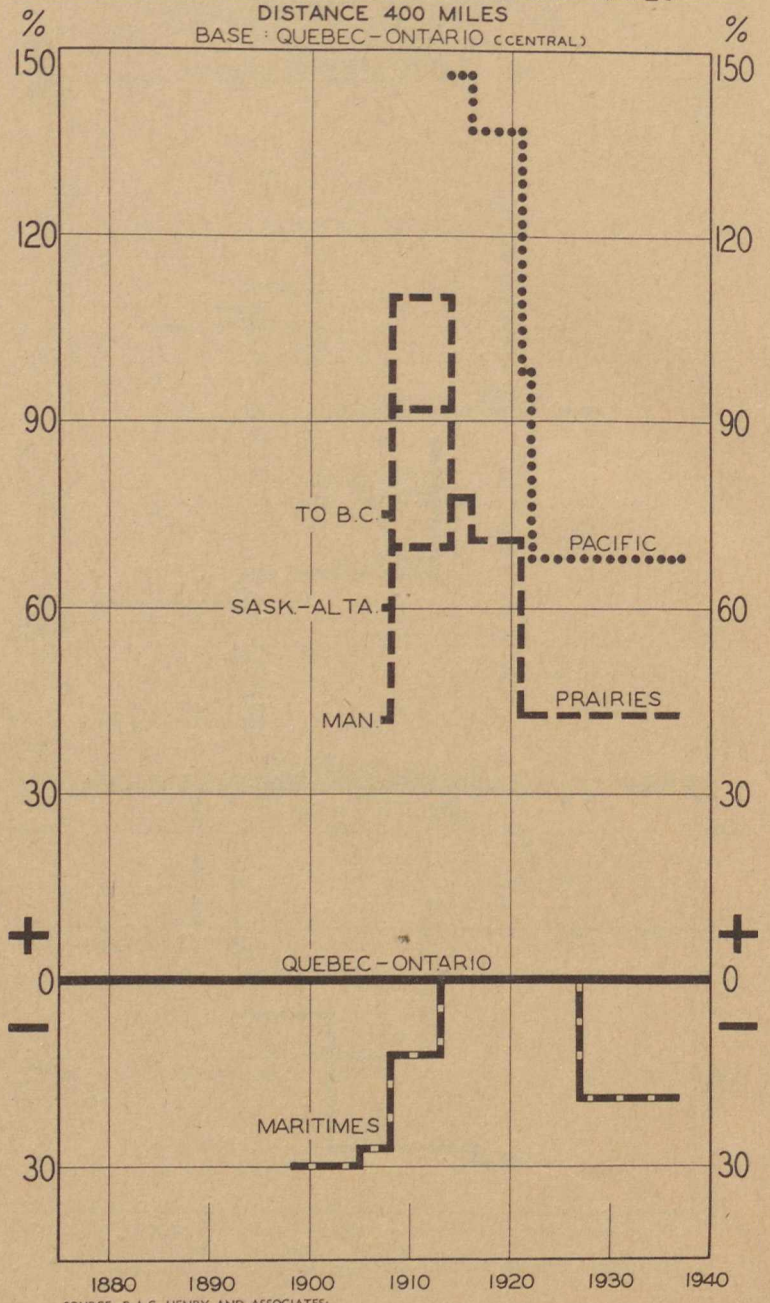
FIFTH CLASS
PERCENTAGE RELATIONSHIP MAXIMUM
STANDARD MILEAGE FREIGHT RATES



SOURCE: R.A.C. HENRY AND ASSOCIATES:
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 271

APPENDIX I
PAGE 4

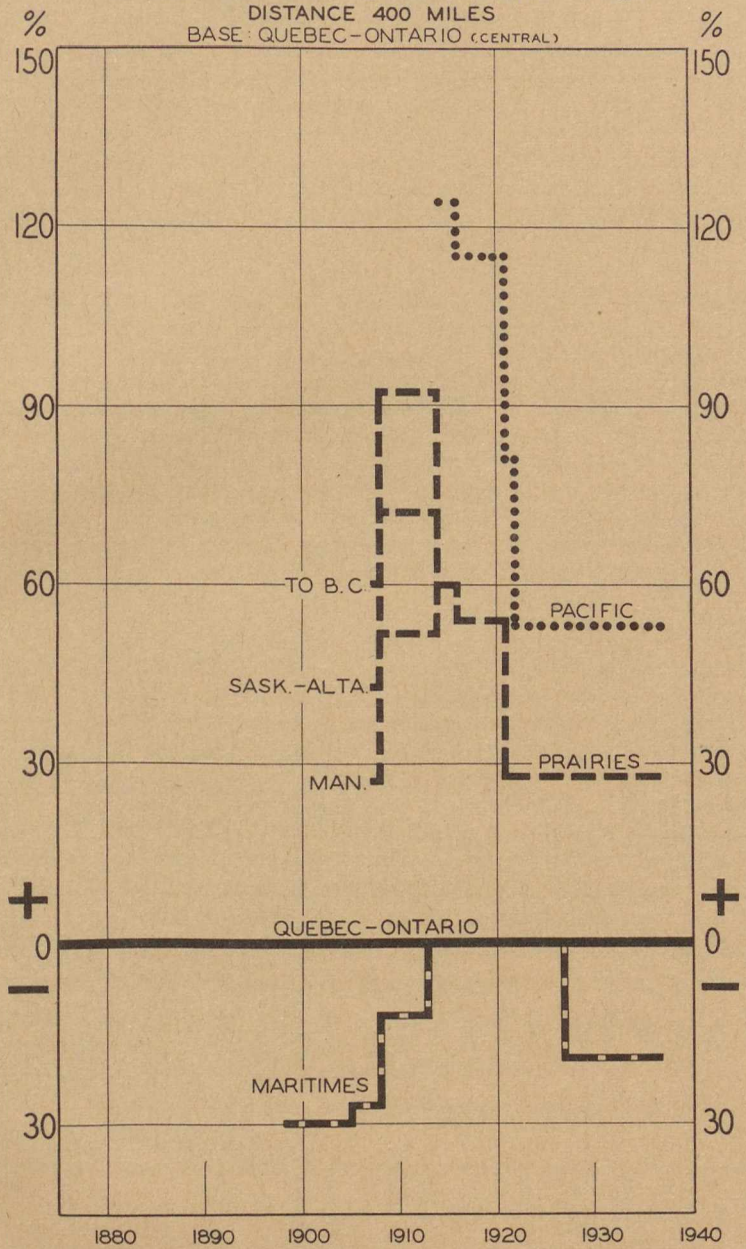
FIRST CLASS
PERCENTAGE RELATIONSHIP TOWN TARIFF AND DISTRIBUTING CLASS FREIGHT RATES
DISTANCE 400 MILES
BASE : QUEBEC-ONTARIO (CENTRAL)



SOURCE: R.A.C. HENRY AND ASSOCIATES:
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 276

APPENDIX 1
PAGE 5

FIFTH CLASS
PERCENTAGE RELATIONSHIP TOWN TARIFF AND DISTRIBUTING CLASS FREIGHT RATES
DISTANCE 400 MILES
BASE: QUEBEC-ONTARIO (CENTRAL)

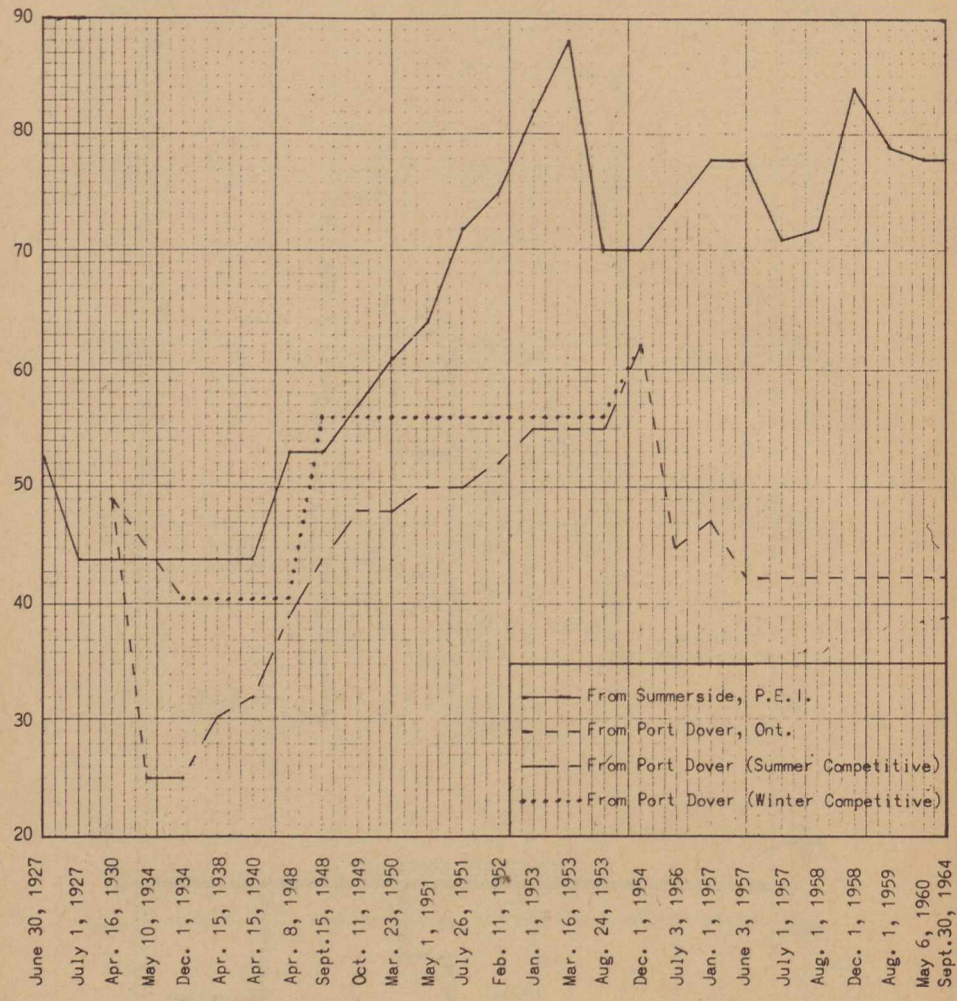


SOURCE: R.A.C. HENRY AND ASSOCIATES:
"RAILWAY FREIGHT RATES IN CANADA" (1939) PAGE 278

APPENDIX 2

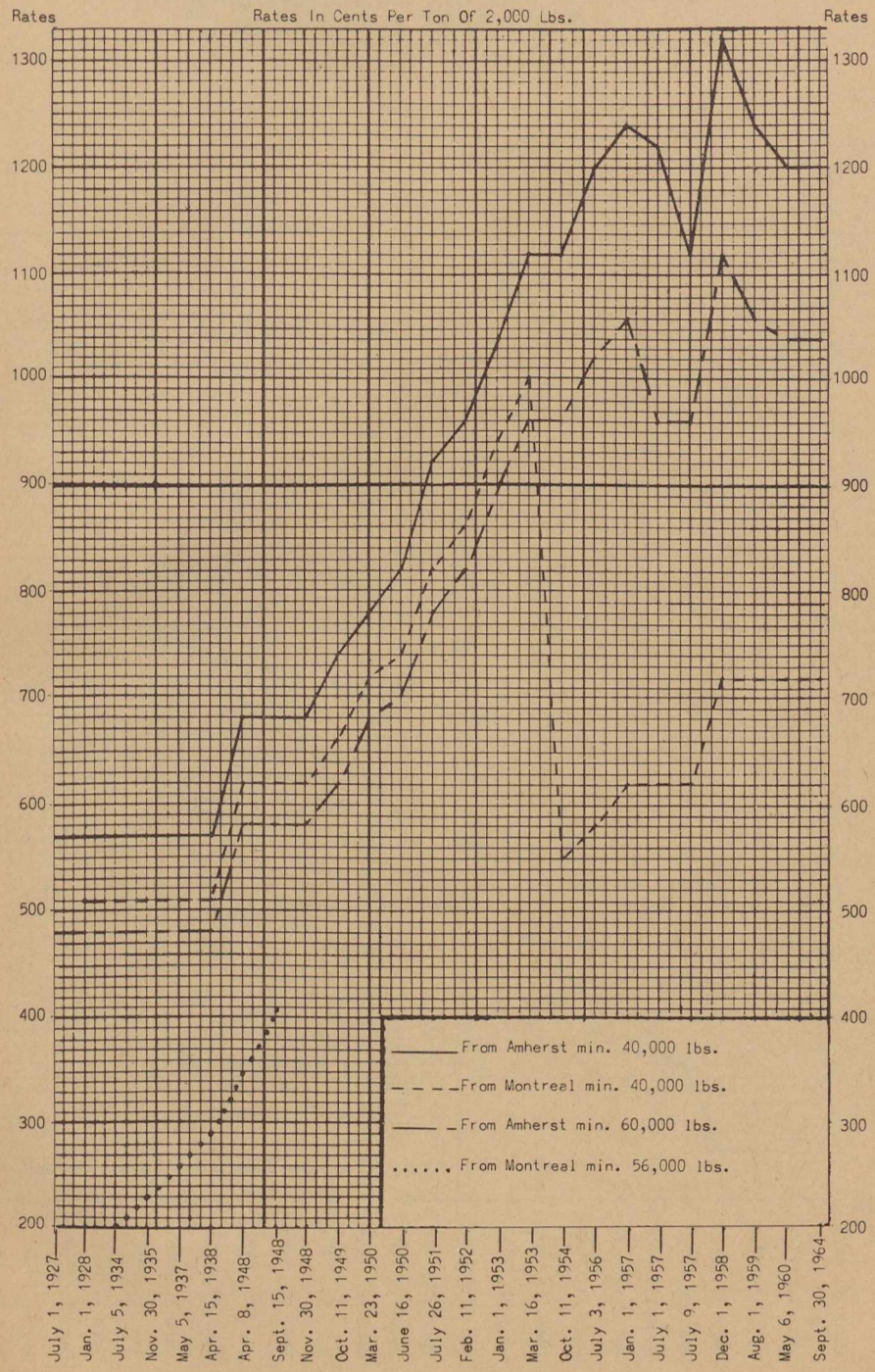
COMPARISON OF THE CARLOAD RAIL RATES ON CANNED MEAT PRODUCTS FROM SUMMERSIDE, P.E.I. TO MONTREAL, P.Q. WITH CORRESPONDING RATES FROM PORT DOVER, ONT. TO MONTREAL, P.Q.

Rates In Cents Per 100 Lbs.



APPENDIX 3

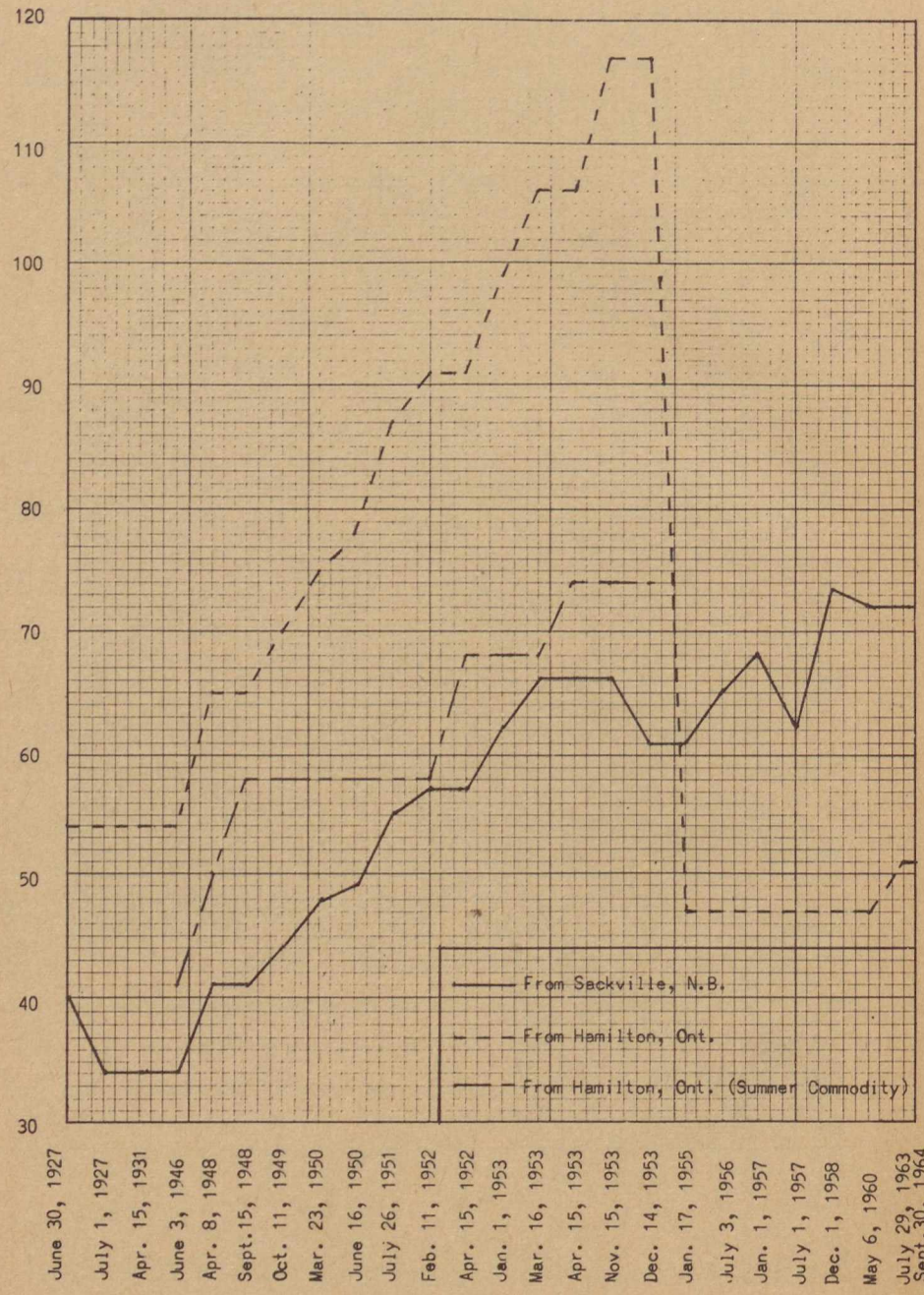
COMPARISON OF THE CARLOAD RAIL RATES ON STEEL BARS FROM AMHERST, N.S. TO QUEBEC, P.Q. WITH THE CORRESPONDING RATES FROM MONTREAL, P.Q. TO QUEBEC, P.Q.



APPENDIX 4

COMPARISON OF THE CARLOAD RATES ON STOVES AND RANGES FROM SACKVILLE, N.B. TO MONTREAL, P.Q. WITH CORRESPONDING RATES FROM HAMILTON, ONT. TO MONTREAL, P.Q.

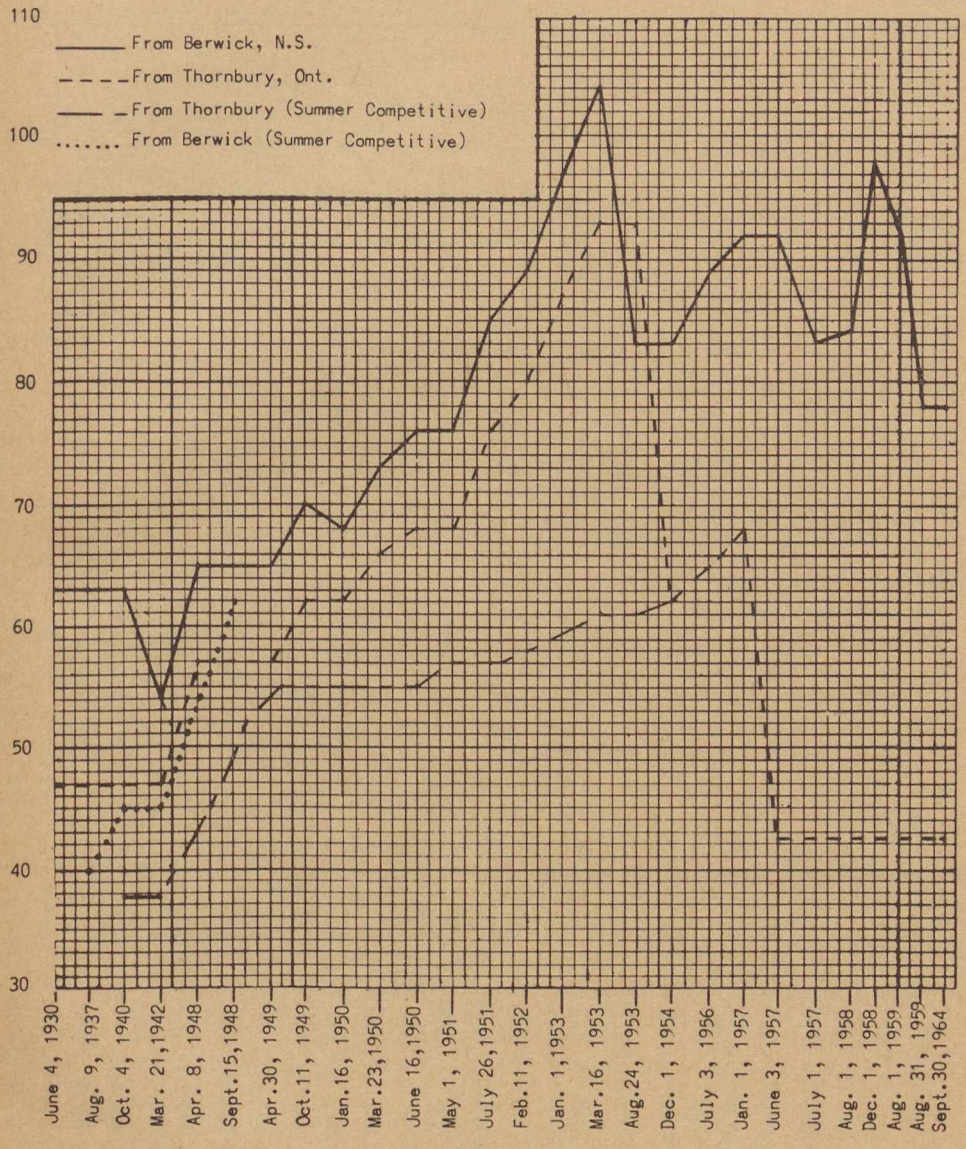
Rates In Cents Per 100 Lbs.



APPENDIX 5

COMPARISON OF THE CARLOAD RAIL RATES ON CANNED APPLE PRODUCTS FROM BERWICK, N.S. TO OTTAWA, ONT. WITH THE CORRESPONDING RATES FROM THORNBURY, ONT. TO OTTAWA, ONT.

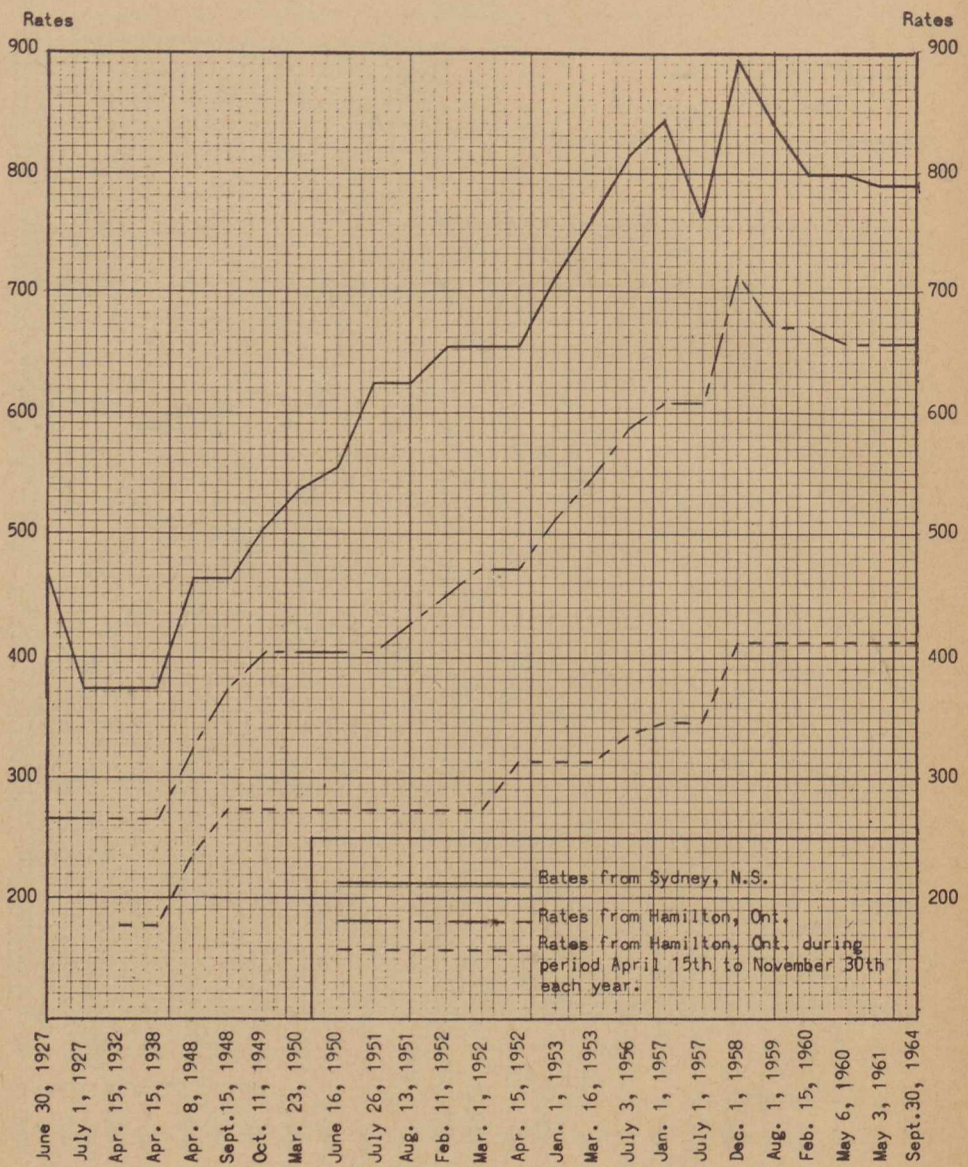
Rates In Cents Per 100 Lbs.



APPENDIX 6

COMPARISON OF CARLOAD RAIL RATES ON BILLETS AND BLOOMS FROM SYDNEY, N.S. TO MONTREAL, QUE. WITH CORRESPONDING RATES FROM HAMILTON, ONT. TO MONTREAL, QUE.

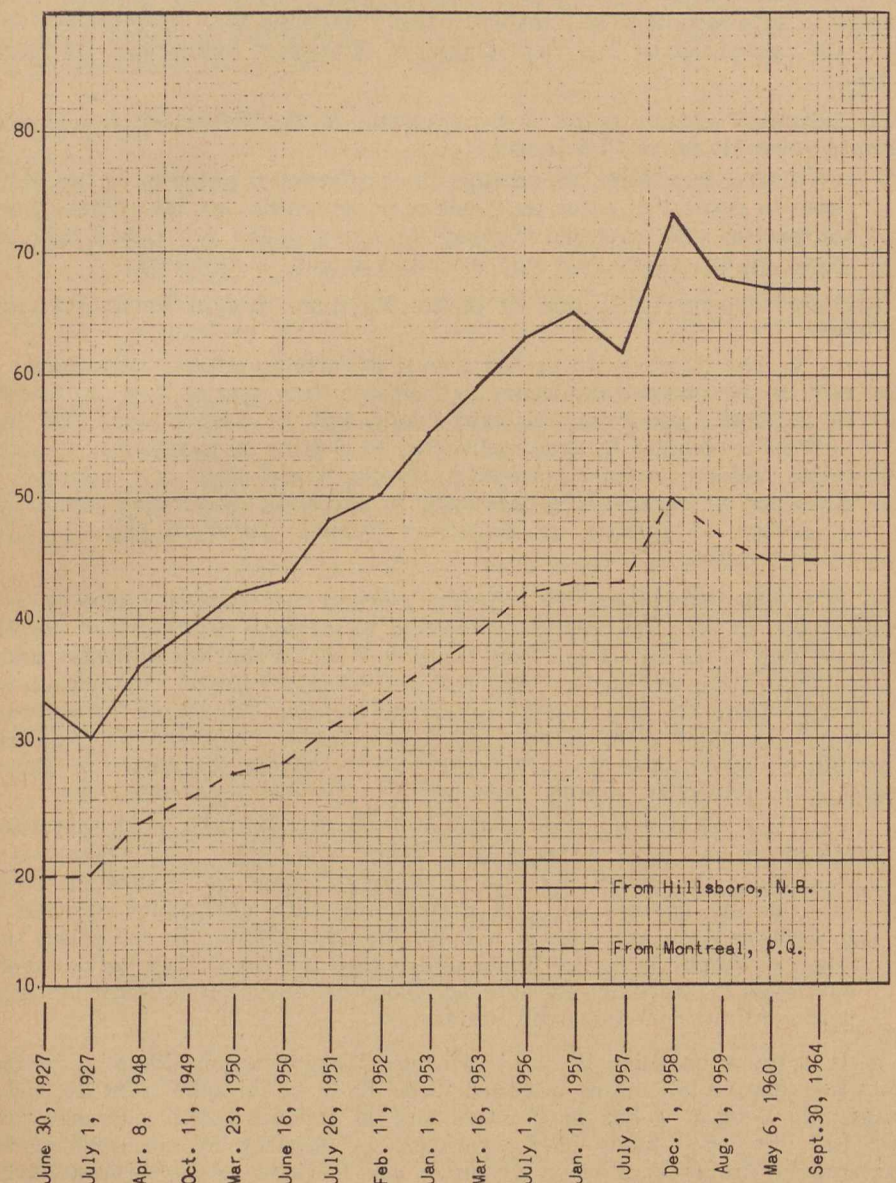
Rates In Cents Per 2,000 Lbs.



APPENDIX 7

COMPARISON OF THE CARLOAD RAIL RATES ON WALL PLASTER FROM HILLSBORO, N.B. TO TORONTO, ONT. WITH THE CORRESPONDING RATES FROM MONTREAL TO TORONTO

Rates in Cents Per 100 lbs.



THE MARITIMES TRANSPORTATION COMMISSION

Supplemental Submission of the Maritimes Transportation Commission to the Standing Committee on Railways, Canals and Telegraph Lines Respecting Bill C-120

1. The Maritimes Transportation Commission makes this Supplementary Submission with respect to Exhibit V entitled "Maritime Rate Preference Under Bill C-120" prepared by the Department of Transport under date of March 10, 1965.

2. Exhibit V refers to the first paragraph in the Report of the Duncan Commission on Maritime Claims and states:

> That Commission found that the preferential position of the Maritimes in respect of rates on goods moving within the Maritimes, which shippers in that area had enjoyed for many, many years, had been reduced by successive rate increases and should be restored.

Section 7 (formerly Section 8) of the Maritime Freight Rates Act reads as follows:

> 7. The purpose of this Act is to give certain statutory advantages in rates to persons and industries in the three Provinces of New Brunswick, Nova Scotia, and Prince Edward Island and in addition upon the lines in the Province of Quebec mentioned in Section 2, together hereinafter called 'select territory', accordingly the Board shall not approve or allow any tariffs that may destroy or prejudicially affect such advantages in favour of persons or industries located elsewhere than in such select territory.

3. It is submitted that the principal purpose of Section 7 was to give an advantage to Maritime shippers *relative* to persons or industries located elsewhere than in the select territory. Exhibit V states that the railways under the maximum-minimum scheme will be free to make rates as commercial requirements dictate but will still be subject to Section 7 and that the railways will have to consider whether any rate action taken elsewhere will "destroy or prejudice" advantages given shippers in the select territory "in favour of persons or industries located elsehere." The Exhibit then continues:

> This will be a question of fact and while it does not mean that every Maritime rate must be kept 30% below some other rate elsewhere in Canada, it does mean that the railways will have to be sure that their rate-making policies will not destroy the rate advantages referred to in Section 7. In any case it will be open to shippers in the select territory to complain to the Board and obtain redress if their advantage is destroyed or prejudicially affected. This will ensure that Maritime shippers continue to enjoy rate preferences.

4. It is the submission of the Maritimes Transportation Commission that in fact the relative advantage intended to be given to shippers from the select territory by Section 7 has in practice and in the competitive environment which has developed since 1927 proved to be illusory in the light of the judgments in *Province of Nova Scotia et al—Maritime Freight Rates Act—Tariffs (1936) 44 Canadian Railway Cases 289* and on appeal to the Supreme Court of Canada (1937) *46 Canadian Railway Cases 161.*

5. The facts of that case are, briefly, that in order to meet truck competition the railways reduced freight rates on potato shipments in certain areas in Ontario and also in certain areas in Quebec outside the select territory as defined in the Maritime Freight Rates Act. The Transportation Commission of

the Maritime Board of Trade and the Governments of the Maritime Provinces applied to the Board for a reduction in rail rates on potatoes from select territory to Ontario and Quebec to correspond with the reductions within Ontario and Quebec, effective under such competitive tariff.

6. It was made clear that the question of the rates on potatoes were only in the nature of a test case and that the real claim of the applicants was that they were entitled to reductions upon all shipments from the Maritime Provinces to points in Canada where motor truck competitive rail tariffs were in force and more sepcifically in respect of all produce of the Maritime Provinces.

7. The real claim of the applicants failed despite the fact that Chief Commissioner Guthrie held that the purpose and object of the Maritime Freight Rates Act does apply to competitive tariffs established by railway companies between points outside the "select territory". In effect the real claim failed because the Board held that:

(1) the only power of the Board was to disallow such competitive tariffs;

(2) the Board had no power to order reductions in rates on Maritime products moving from the select territory in circumstances where competitive tariffs were established outside select territory by the railways to meet truck competition.

8. Chief Commissioner Guthrie then proceeded to deal with the specific claim for reduction in rates on potatoes shipped from select territory as a question of fact and found that in fact there had been no prejudice or disadvantage under Section 7 suffered by potato shippers because of the establishment of the competitive tariffs in question. His conclusions in this respect is stated at page 306:

> In my opinion the applicants have failed to establish the competitive tariffs on potatoes, which form the subject of this application, have resulted either in the destruction of, or to the prejudice of the advantages provided to shippers in the Maritime Provinces under the Maritime Freight Rates Act in favour of persons or industries located elsewhere than in the select territory. The evidence submitted by the various parties represented establishes to my satisfaction that in the matter of potato shipments in Ontario the whole difficulty has arisen through motor-truck competition with the railways. Shipments of potatoes in Ontario by rail to Ontario points have become almost negligible while motor-truck shipments continually increase. The competitive tariffs established by the railways have had no effect whatever in respect of potato shipments from the Maritime Provinces to Ontario points. Cancellation of these potato rates would not improve the position of Maritime shippers in any degree, and would only result in depriving the railways of the small portion of the transportation of potatoes in Ontario which they have been able to retain even under a substantial reduction of rates.

9. The Supreme Court of Canada dismissed the appeal of the Province of Nova Scotia et al from the judgment of the Board of Railway Commissioners.

10. As a result of the potato case so-called Maritime shippers as a body cannot obtain rate reduction relative to reductions elsewhere established by competitive tariffs. The relative advantage intended for persons and industries in the Maritimes (and now for the Atlantic Provinces) has therefore not been maintained and it is submitted that the intent of Section 7 has been thwarted.

11. It is stated in Exhibit V that it will be open to shippers in select territory to complain to the Board if their advantage is destroyed or prejudicially affected by the railways rate-making policies. If a shipper who takes upon himself the very considerable burden of applying to the Board succeeds in

establishing prejudice or disadvantage to himself under Section 7, the only remedy is cancellation of the competitive tariffs in question, not a reduction in the applicant's rate, and it is submitted that in the present competitive environment that remedy would be of no use to the shipper applicant nor to the railways but only to the trucks for the reasons given by Chief Commissioner Guthrie above quoted.

12. It is therefore quite unrealistic to say that the Atlantic Provinces shipper has any effective means of invoking Section 7 to overcome the effect on him of competitive tariffs established outside the select territory by the railways to meet truck competition.

13. Exhibit No. 1 filed by the Department of Transport shows a downward trend in the percentage of traffic measured in revenue and carloads which moves at non-competitive class and commodity rates in the several freight rate regions of Canada. While the Maritime territory, like the other territories, has had a decrease in the amount of traffic moved at non-competitive class and commodity rates, it still has the largest percentage of non-competitive traffic of any territory of Canada.

14. What Exhibit No. 1 fails to show is the effectiveness, or depth, of competition in the several territories. The showing of a percentage growth in the number of carloads, or the revenue produced by such carloads, of Maritime traffic moved at competitive and agreed charge rates does not show conclusively whether competition is effective in reducing rail rates or whether the competition is of a shallow type which has been able to make only minor reductions in the existing maximum rates.

15. The submission of the Maritimes Transportation Commission is that while the development of competition since 1949 has produced some minor rate reductions for Atlantic Provinces' traffic it has been far less effective in reducing Maritime rates than rates in other parts of Canada, particularly Ontario and Quebec. It is not possible to show in detail the depth to which competition has been able to reduce rates in the several regions of Canada. It is submitted, however, that Appendices 2 to 7 to the main submission of the Maritimes Transportation Commission, particularly Appendix 5, illustrate that competition for Maritime traffic has not been as effective in reducing rail rates as in Ontario and Quebec.

Respectfully submitted,

THE MARITIMES TRANSPORTATION COMMISSION

On behalf of the Provinces of
Nova Scotia, New Brunswick,
Prince Edward Island and
Newfoundland.

APPENDIX "I"

NATIONAL LEGISLATIVE COMMITTEE
INTERNATIONAL RAILWAY BROTHERHOODS

MARCH 15, 1965.

The Chairman and Members of the
Standing Committee on Railways,
Canals and Telegraph Lines
House of Commons
OTTAWA, Ontario

Mrs. Rideout and Gentlemen:

On behalf of the National Legislative Committee, International Railway Brotherhoods, I wish to outline our views relative to Bill C-120.

Since 1957 we have, in our annual briefs to the Government, requested an amendment to Section 182 of the Railway Act. The historical background regarding Section 182 and other relevant sections have been placed before the Government and the Standing Committee on Railways, Canals and Telegraph Lines.

The amendment we are seeking is intended to give application to the principle of compensation to railway employees who lose their employment or are required to change their residence as a result of changes beneficial to a railway.

This matter was referred to the Standing Committee on Railways, Canals and Telegraph Lines on June 27, 1963.

The Committee held eight hearings and heard representations from representatives of all the Railway Brotherhoods, from the Railway Companies and from Mr. Howard Chase, C.B.E., a former member of the Board of Transport Commissioners.

On the 20th December 1963, the Standing Committee reported to the House of Commons as follows:

> Complying with an Order of the House, on June 27, 1963, your Committee has given consideration to the subject matter of Bill C-15, An Act to amend the Railway Act (Responsibility for Dislocation Costs), and has heard evidence from representatives of the railways, from officials of various brotherhoods of railway employees, and from Mr. Howard Chase, a former member of the Board of Transport Commissioners.
>
> The Committee was favourable to the subject-matter of Bill C-15 commends it to the House and the government; and to further clarify our views on the situation relating to the subject-matter, the Committee recommends that—
>
> The government give consideration to amending Section 182 of the Railway Act to ensure the rights of railway employees in those cases where abandonment, merger or co-ordination between railways, or the closing or near-closing of terminals and shops or the introduction of 'run-throughs' is undertaken by the management.

> The Committee would prefer that such matters as adjustment, compensation, re-training arrangements, and other ameliorations of the dislocation be a matter of negotiation between management and the employees legitimate bargaining agencies but it recognizes that a strong encouragement of such means of settlement will ensue when Section 182 is read in such a legal way as to offer firm protection to the employees.

Subsequent to the report of the Standing Committee, we have requested the Government to introduce legislation designed to implement the recommendation of the Committee.

On September 14, 1964, the Honourable J. W. Pickersgill introduced in the House, Bill C-120, An Act designed to implement certain recommendations of the Royal Commission on Transportation. When speaking to the resolution on the Bill, the Honourable Minister, beginning on page 7981 of *Hansard,* said in part—

> With respect to what the Government will be proposing, I may say that of course we are taking our responsibility as a government for the proposals in general, but it is the intention of the government to have this bill sent after second reading, provided the House sees fit to give it second reading, to the Railway Committee, because it is of such vast importance to everyone in the country. We think it would be quite unreasonable to take any other course. We would expect that the Committee would hear representations from all seriously interested bodies.

In line with the Honourable Minister's statement, we have no choice but to express disappointment in the fact that the Committee's recommendation that Section 182 be amended is not contained in Bill C-120.

Bill C-120 does contemplate the payment of compensation to railway employees by a railway company as the Board of Transport Commissioners deems proper for any financial loss caused to them by change of residence necessitated by an abandonment pursuant to Section 168, subsection (1) or paragraph (b) of subsection (3) of Section 314B of the Bill. However, it is our opinion that the contemplated amendment falls pitifully short of what is necessary.

To date, the Canadian National and Canadian Pacific Railways have applications filed with the Board of Transport Commissioners seeking leave to abandon a total of 3797.1 miles of railway lines in Canada. Of this total, 3507.8 miles are located in the Prairie Provinces.

It is obvious that there will be numerous employees who will be required to change their residence when abandonments of such magnitude take place, regardless of when they take place. It is also obvious that as a result of the relocation of such a large number of employees, there will be the inevitable resulting severance from employment for a considerable portion of the work force.

Bill C-120 is silent as to the companies having any responsibility for those who will be severed from employment, despite the fact that the same legislation will create the condition.

The bill offers firm positive financial assistance to the Railways in the order of 80 millions of dollars and indeed sets out in great detail how they will be eligible for such assistance. On the other hand, the employees will be required to plead their cause before the Board of Transport Commissioners.

The contemplated legislation will require railway employees, as taxpayers, to contribute financially to the railways, which means that they will be contributing to fewer employment opportunities for themselves.

Further, Bill C-120 suggests that the Canadian National-Canadian Pacific Act be repealed. As you know, this Act as amended in 1939 contains a schedule which sets out in detail the manner in which employees were to be compensated, both in cases of change of residence and loss of employment when either circumstance resulted from the application of the Act.

We insist that the Government has a moral obligation to accept full responsibility for the adverse circumstances that the changes to the Railway Act will bring about.

We have no hesitation in recommending that the schedule referred to be incorporated into the Railway Act so as to fulfil this moral obligation insofar as railway employees are concerned.

You will appreciate that our major interest and concern is for those whom we have the honour and the privilege to represent. However, we feel we would be remiss in our duty as citizens of Canada if we did not make the following observations—

Bill C-120 insofar as abandonment of uneconomic branch lines is concerned, establishes positive financial assistance to the Railways. However, it appears to offer no more than a postponement of inevitable economic ruin to the communities that will be adversely affected. We are of the opinion that there should be research conducted in order to determine how much social capital has been invested by the three levels of Government in those communities that will be affected. A study is required so as to determine what the social and economic implications will be. We suspect that the cost to Canada may well be in excess of the savings that the Bill is seeking to effect. Both the C.P.R. and the C.N.R. operate at a current annual profit and the provisions of Bill C-120 guarantee perpetuity of the profit system for the Railways. On the other hand, aside from contemplating an orderly disappearance of communities, there is no provision for financial assistance to the people of those communities.

Government policy, based on sound judgment or not, was responsible for the Railways being where they are and a debt is owing to all those persons who followed the railway construction and established the towns with all their social amenities.

Bill C-120 seeks to subsidize the Railways for losses growing out of the operation of passenger service. Recently, the C.N.R. has entered into competitive philosophy for a share of passenger service. Indeed, the advertising, reduced fares, the improvement of schedules and the use of modern equipment resulted in both Railways being offered more traffic than they could accommodate. We are fearful that the contemplated subsidies may have the effect of creating a situation whereby the railway companies will again back away from true competition for passengers.

The McPherson Commission recommended the formation of a National Advisory Council and a Transportation Statistics Committee.

The establishment of such a Council and Committee should be prior to any attempt to legislate on a piecemeal basis for railways alone.

The establishment of the above-mentioned Committees would assist the Government in formulating a national transportation policy. Legislation could then be introduced to implement a policy that would serve the best interests of all Canadians.

We would respectfully submit that Section 182 should read in full as follows:

> The company shall not, at any time, make any change, alteration or deviation in the railway, or any portion thereof, until the provisions

of Section 181 are fully complied with, nor may it move, remove, close, or abandon any station, or divisional point nor create a new divisional point, nor make any change in operations by way of of substituting persons of lower rank at stations or elsewhere, or changing or transferring operating centres or terminal points, which, in any such case, involves the removal of employees, without leave of the Board; and where any such change, move, removal, closure, abandonment, creation, substitution, transfer, or replacement is made the company shall compensate its employees as the Board deems proper for any financial loss caused to them by change of residence necessitated thereby; the provision for compensation given under this section shall apply to abandonments approved under Section 168.

We recommend that concurrent with your consideration of Bill C-120, you re-affirm the recommendations of the Standing Committee which considered the matter of Bill C-15.

The suggested recommendations would remove an injustice to employees affected by abandonments, and, as well, make consistent the treatment accorded employees incurring removal through railway changes and alterations generally.

Yours truly,

J. A. Huneault,
Chairman,
National Legislative Committee,
International Railway Brotherhoods.

BIBLIOTHEQUE DU PARLEMENT
LIBRARY OF PARLIAMENT
3 2354 00547 605 9