RAILWAY DEVELOPMENT IN CANADA:

WITH PARTICULAR REFERENCE TO REGIONAL INFLUENCES

- by -

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Abstract.

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With particular reference to regional influences.

Canadian geography and the development of Canada since Confederation have dictated that the Dominion should be divided into several almost distinct regions with different views regarding rates for the transportation of their products. In this essay the author endeavours to trace the history of the strong representations which the provincial governments, independently or in groups, have made to the Dominion Government, from time to time, regarding various freight questions or the need for railway facilities and also what they have attempted to do on their own behalf.

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FOREWORD.

The economic history of Canada is largely the history of the production of staple goods and their export to foreign markets. Since the price of many of these staples is determined in the world market, profitable production of a staple in Canada depends largely upon either cheap production by means of large scale operation or by low transporation rates.

Transportation should be performed in the cheapest, most expeditious and most satisfactory method. In an endeavour to fulfil these requirements we have in Canada a vast network of rail lines, many thousands of miles of improved roads and a truly superb water route which has been improved by canals.

The rates which transporation agencies charge for services in Canada have been affected by a large number of factors. Railway rates have been influenced by cost of operation and construction, volume of traffic, distance, value of service to consumer or shipper, value of commodity and competition either between railwgys or between different transportation agencies or between shippers.

Such a wide variety of factors leaves much room for bargaining and as bargaining is a human trait there has been a natural conflict between the transport companies and the customers since the rates were first published. The governments of the provinces have more or less consistently supported the shippers of consumers whilst the Dominion government has sometimes upheld the railways and sometimes seen fit to remain a neutral arbitrer.

Chapter One. EXPANSION OF CANADIAN RAILWAYS TO 1903.

Inhabited Canada is segmentary - Maritime, Central, Prairie and Pacific. The regional bounds are not clearly marked, in fact sweeping stretches of the Pre-Cambrian Laurentian Shield or of almost impassable tertiary mountains cut them off from each other. In spite of national ties and a highly migratory population there would seem to be four separate Anglo-Saxon cultures forming now less than a century after Confederation. These together with French Quebec are Canada and might be likened to pearls on a cord - the cord representing transport.

The various products of Canada's regions must be exchanged between them or exported to world markets, hence a close second to the very production of goods in Canada ranks their transportation.

The great distances involved in Canadian transport have been more or less overcome by dredging and canalizing the splendid waterways, by the construction of railways and highways and by the recent development of airways. Of these the railways are the most important from a standpoint not only of utility but of investment.

In 1944 [1] the approximate freight carried and approximate total investments for the four types of Canadian transport were:

	Amount (tons)	Expenditure
Rail	155,000,000	$ 3,000,000,000 [2]
Canal	22,000,000	330,000,000
Road	10,000,000	1,000,000,000
Air	1,500,000	26,000,000

These rough approximations will serve to indicate the importance of railways to Canada and to emphasize their role in the problems of transportation.

A glance at a map of Canada will indicate the problems of Canadian marketing. Wheat, the most important staple must travel many hundreds of miles from the prairieland before it reaches the Canadian millers or else it may go additional thousands of miles to the markets of Europe. Most of the Alberta wheat export and some Saskatchewan wheat is shipped to the Pacific Coast, a trickle goes from Saskatchewan to Hudson's Bay but most of Saskatchewan wheat and all from Manitoba is shipped to the Eastern Seaboard via either rail or ship from the Lakehead cities of Fort William and Port Arthur. Cost of transportation then is an important item in the net return which the prairie farmer may obtain for his product on the world market. This is true also in the case of coal, fish and potatoes from the Maritimes when seeking markets in the other regions of Canada, or the fruits or forest products of British Columbia when winding their way through the mountains to the east. The manufactured goods from the favoured Central Region (Quebec - Ontario) are more fortunate from a geographic point of view and are sold on a protected Canadian market.

New types of transportation agencies such as highway and air carriers have so far shown that they are capable of providing only certain types of transportation services more efficiently than the railways. Despite such manifestations of air power such as the Berlin Air Lift and the greatly increased air services to Vancouver during the recent Fraser River flood, it is almost certain that the railways will be required to provide most of the transportation in Canada for some years to come.

Prior to Confederation, 1867, British North America consisted of the stolid Lower Canada or Quebec, an upper Canada or Ontario struggling in its forest clearings, a Maritime region thriving on wooden shipbuilding and a prosperous world fish trade, a Pacific Coast bewildered by its potential wealth and a tiny Red River Settlement facing up to the powerful Hudson's Bay Company, to Red Indians and to a rigorous climate. These four colonies, separated by vast distances and stretching from end to end more than four thousand miles, had little in common except a dependence upon Great Britain for protection from being absorbed into the growing United States of America fresh from its expansion in Mexico and Alaska. There was practically no transportation between these British colonies and consequently little trade.

The Reciprocity Treaty of 1854 between Canada and the United States of America was terminated by the latter in 1866 and almost immediately conferences were called by political leaders to plan for a union of the British North American colonies.

There were only a few miles of railway in British North America prior to 1850 but railway building proceeded apace with the passage of the Guarantee Act of 1849 wherein the Government of the Canadas was enabled to guarantee the interest on the bonds of railway companies whose lines were more than seventy miles in length.[3]

Plans were formulated to construct a railway from Windsor, Upper Canada, to Halifax, Nova Scotia[4], but when support for such a large venture was not forthcoming from the Imperial Government a line was built from Montreal to Toronto[5]. This was the Grand Trunk Railway; Canada's first great line; built with British capital to the

English standard[6], and it set the pattern for practically all the railways in the land. By 1859 the Grand Trunk Railway extended from Portland, Maine, to Sarnia and by 1864, to Chicago, Illinois. By the year of Confederation there were fairly good rail connections in the Canadas where several companies were operating in severely competition with water carriers on the St. Lawrence.

Lord Durham in his famous report of 1840 had stressed the need for transport connection between the Canadas and the Maritime colonies. This idea bore no fruit until after Confederation, although a line had been built from Montreal as far as Riviere de Loup in Lower Canada and some short precedent-setting lines were being operated by the governments of New Brunswick and Nova Scotia. Before Confederation then the element of regionalism was present in the railway organisation of British North America.

Having purchased Alaska from the Russians in 1867, the United States of America was especially anxious to attain the Western domains of Great Britain in order to control the entire seaboard from Mexico to the Arctic seas.

Sir Frederick Bruce, British Minister at Washington, wrote to Lord Stanley, the British Foreign Secretary:[7]

"It may be hopeless to think at present of opening up a route to the Pacific. But the formation of a government over the region that extends from Canada West (Ontario) towards British Columbia, including the fertile valley of the Saskatchewan River, ought not to be delayed.

"Nothing will retard the tide of immigration from the North-western states across the frontier, if that region offers a favourable field for mining or agricultural speculation, and measures ought to be

taken without loss of time to allow of the settlement being effected in an orderly and regular manner...otherwise it is not difficult to foresee that the connection of Columbia with the Eastern provinces of British North America which is essential to prevent its annexation to United States, will run great danger of being interrupted.

"The great efforts that are now being made by this government (of United States of America) to push on and complete the Pacific Railroad are a strong indication of the necessity that is felt of having a certain and expeditious communication with the states of the Pacific Coast, and it is necessary for me to point out the disadvantage at which we should be placed in the event of any difficulty with this country, should the United States possess a direct route to the West, and should Great Britain not have succeeded in opening up a similar connection between the Canadas and Columbia".

The far-western colony of British Columbia had bargained for entry into the confederation and had been offered a transcontinental railway.[8] The Maritimes had demanded the Intercolonial. By 1888 both were completed. Canada was spanned.

From its inception the Intercolonial Railway has been government owned. It was pieced together with the New Brunswick and Nova Scotia government lines[9], the Grand Trunk Railway extension to Riviere de Loup and some new construction. Planned primarily as a defence measure[10] it lay well to the north of the Maine boundary where it passed through many miles devoid of local traffic and where it was exposed at many points to cheap water transport. This railway could not be, ~~nor was it~~, expected to be a profit-making venture, for in addition to its route difficulties its rate schedule was merely an

extension of the low tariffs of the former government-owned maritime colonial railways.

Provision for the construction of the Canadian Pacific Railway was made in a Dominion Act of 1872.[11] It was to be a government project and some work[12] was completed in the Central Region. In 1881 a further Act[13] chartered a syndicate to construct the line. This was the well-known "gift" Act when with great eclat the Dominion government gave the Canadian Pacific Railway Company $25,000,000, 25,000,000 acres of land, the line they had already constructed, a monopoly of traffic south of their main line west of the Great Lakes and a customs drawback allowance on construction materials.[14] This generosity together with further loans combined with sound business management and sheer hard work insured the success of the Canadian Pacific Railway. The great enterprise drilled, filled, blasted and bridged its way to Vancouver and Donald Smith, its president, conquered the Rocky Mountains when he drove the last spike.[15] An act of 1884[16] prohibited the amalgamation of the Canadian Pacific and Grand Trunk Railways perhaps to preclude any monopolistic tendencies. That the governments of the Dominion and provinces are vitally and continually interested in the Canadian Pacific Railway is illustrated by the almost two hundred-and-fify Acts they have passed and Orders-in-Council they have promulgated in its regard from 1867 to 1937.

By the time of the confederation of British North America the United States of America had been able to settle its difficulties regarding slavery, boundaries etc. and was then able to concentrate upon the essentially peaceful filling of its vast, vacant places with people. Free homesteads in the rich, virgin prairieland

drew land-hungry Europeans and promises of preferential treatment drew Canadians to the newly-opened territories to the west of the Mississippi. Instead of growing by immigration from Europe the population of Canada actually declined because of emigration to the United States of America. The greatest drain was from the Maritime Region where young men were pleased to leave an economy based upon timber and sail that was collapsing under the impact of steel and steam.

With the termination of the Canada-United States of America Reciprocity Treaty in 1866 Upper Canada was forced to bend her efforts toward self-sustenance whereupon manufacturing increased in the Central Region. The Red River Settlement was experimenting with grain-growing and the forests of the Pacific Region were interfering with gold mining.

The Dominion Government had shown apprehension regarding railway monopoly in 1884 as mentioned above [17] and in 1887 by its own Act [18] the province of Manitoba, which had blossomed from the tiny Red River Settlement, provided for the construction of the Northern Pacific and Manitoba Railway which was planned as a provincially-owned direct competitor to the Canadian Pacific Railway.

The grain experiments in the Red River Settlement were successful and by 1880 the golden wheat spread as a vast waving flood across the "sun-drenched" prairies to the very foothills of the Rocky Mountains. Immigrants arrived by the tens of thousands from Great Britain and all parts of continental Europe. The tide reversed from the United States of America.

Railway branch lines in the Prairie Region could not be built fast enough to keep pace with this expansion and new railway

companies were chartered by both Dominion and provincial governments.

Messrs. Mackenzie and Mann built, bought and bonded many of these short prairie railways and these were amalgamated by a Dominion Government Act [19] into the Canadian Northern Railway. The interest on the bonds of this company was guaranteed by an Act of the Manitoba legislature [20] and later by Acts of the legislatures of Saskatchewan [21] and Alberta. [22] bonds of subsidiary companies were guaranteed.

The Grand Trunk Railway in the Central Region became a successful business enterprise after it had been enabled by a Dominion Act [23] to acquire the stock of its principal competitor, the Great Western Railway. [24] The lucrative trade in the Prairie Region proved so enticing that the Grand Trunk Railway sought permission of the Dominion Government to establish a subsidiary in that region. A Dominion Act [25] of 1904 authorised the organisation of the Grand Trunk Pacific Railway. Shortly the branch lines of the Grand Trunk Pacific Railway with those of Canadian Pacific and Canadian Northern Railways were covering the Prairie Region carrying wheat like mammal veins carrying lifeblood.

The Prairie Region had become the principal export area of the Dominion by 1900. The prairies supported the timber industry of British Columbia and the manufacturing of Ontario and Quebec. The latter had expanded under the protective tariff until they were able to meet the new requirements. The Maritime Region worked hard with its coal, iron smelters, fishing, fruit and vegetables but continued as a relatively less wealthy area with a static population.

One of the first schedules of freight rates in Canada was published in 1878 by the Grand Trunk Railway. [26] It contained 1,391 articles in carload and less-carload quantities in eight classifications

as well as some special livestock and timber rates.

The first classification issued jointly by the Canadian Railways appeared in 1884.[27] Rates were made to suit the circumstances - where in any region there was a large volume of traffic in a certain commodity it was given a reduced rate. Thus in the Central Region manufactured articles were given preference whilst in the Prairie Region settlers' effects and the primary products of agriculture were shipped by a less expensive rate. This discrimination admirably suited the policy of the Dominion Government in its efforts to build a prosperous, united nation extending from Atlantic to Pacific.

A multitude of factors have worked to compose the fabric of the freight rate structure in Canada. Cost of overhead, conditions of monopoly or competition and "what the traffic will bear" are the outstanding features.

In the maze of various rates three main types stand predominantly - standard mileage and their satellite the town tariffs, commodity or special rates and competitive.

The standard mileage rates are subject to much regulation by the Dominion Government. Distances between points may be arbitrarily shrunk and regional "scales" introduced. From Montreal, Quebec, to Saint John, New Brunswick via the Canadian National Railway (Intercolonial route) is 274 miles farther than via the Canadian Pacific Railway yet the freight rates are the same, and from Vancouver, British Columbia, to Edmonton, Alberta, the same rate applies as to Calgary, Alberta, with a different mileage.

The standard mileage rates are subject also to the greatly discussed "differentials" upon which provincial governments have made

such protest. The four natural regions of Canada here become fine "scales", Central being divided into Central and Superior, the latter covering railways from Fort William to North Bay, Ontario. With an average first class maximum standard rate for seven hundred miles of $2.56 per 100 pounds we find from study of a map[28] that the Maritime scale is 30 percent below the average, the Central scale 10 percent below, the Superior scale 5 percent above, the Prairie scale 9 percent above and the Pacific scale 26 percent above.

Commodity rates are special rates for products essentially of a primary nature - grain, livestock, ore, lumber, livestock feed, petroleum et cetera. They vary from region to region according to the amount of traffic and other factors mentioned above. These rates cover about 85 percent[29] of the freight movements in Canada.

Town tariffs facilitate the distribution of goods to the "hinterlands" of the larger centres. There is constant, almost feudal friction between the various cities regarding areas of distribution and many cases have been argued before the Board of Transport Commissioners. These rates must be made with due regard to all the factors entering into general rate setting but sometimes unjust discrimination has inadvertently appeared. This was the basis of the International Rates Case of 1907 when Detroit, Michigan, was able to distribute certain goods in Western Ontario more cheaply than was Windsor, Ontario. Mileage alone cannot be the criterion and in spite of every effort on the part of the Board of Transport Commissioners to ensure that Town Tariffs are as equitable as possible, there have been numerous claims by cities and provinces that they were being subjected to unjust discrimination on mileage grounds. In a petition of British Columbia of 1922[30] there is noted:[31]

"Sugar from Vancouver and Montreal to Prairie points.....

From	To	Miles	Rates in cents per 100 pounds.
Vancouver	Maclean, Sask.	1133	164
Montreal	Maclean, Sask.	1750	164

Mileage from Montreal 54% longer"

Transcontinental freight rates apply to goods which might be shipped[32] from Eastern Canada via the Panama Canal to the Pacific Region more cheaply than by rail[33] across Canada. The result is that certain goods may be shipped by rail from Montreal, for example, to Vancouver at less cost than from Montreal to Calgary, Alberta; in fact there are cases where it is cheaper to send goods from Montreal to Vancouver and back to Calgary than from Montreal to Calgary direct.[34]

In spite of the different categories and classifications of freight rates throughout the Dominion each rate is relative upon all the others. An increase here or a slight reduction there is usually reflected in other rates sooner or later. Since the first rates schedule for all Canadian railways was published it has been amended many times as new conditions developed, as new areas were opened or as new commodities appeared until now it lists more than 15,000 articles[35] with explicit instructions regarding rules and conditions of carriage and the classification appropriate to each method of packing or easing the goods to be transferred.

In return for a subsidy of $11,000 per mile from the Dominion Government to assist in the construction of a railway from Lethbridge, Alberta, to Nelson, British Columbia, the Canadian Pacific Railway in 1897 entered into a contract[36] to grant certain reductions in rates from its existing tariff.

This was the first extensive change in freight rate structure to take place in Canada. Ten percent reductions were made in the rates on agricultural implements, window glass, building needs, et cetera westbound from Fort William or points east and a reduction of 3 cents per 100 pounds on grains and flour eastbound from Fort William or points west. These rates were adopted by all Canadian railways and remained unchanged until the greatly increased costs due to the First Great War necessitated their temporary suspension. This Crow's Nest Pass Agreement, as it is termed, had little effect in keeping freight rates at a low level - it set a maximum but the grain and flour rates during its lifetime were well below this.

In 1901 the Government of the Province of Manitoba guaranteed interest payments on the bonds of the Canadian Northern Railway[37] and in return secured a 15 percent reduction in rates on all commodities from Port Arthur, Ontario, to all points in Manitoba and vice versa. The grain rate was excepted but it was reduced from 14 cents to 10 cents per hundred pounds. The Canadian Pacific Railway adopted the rates of this "Manitoba Agreement" and the following year reduced Saskatchewan and Alberta[38] rates by 7½ percent. This was the second general rate change and was negotiated purely by a provincial government.

At the dawn of the new century Canada was prepared for unprecedented development. The country had been opened like an oyster, railways had been constructed from Atlantic to Pacific over an all-Canadian route which was part of an all-British route around the world. Great Britain had forgone her "Little Englandism" and now Canada, safe behind the guns of the Royal Navy, was going to progress. Resources were at hand, capital was available and the population was arriving.

It would be Canada's century.

Footnotes to Chaper One.

1. Canada Year Book 1946, p. 644 - 700.

2. Including rolling stock.

3. Canada Year Book 1930. p.617.

4. Jackman, W.T. Economic Principles of Transportation. University of Toronto Press, Toronto, 1935, p.15.

5. Loco. cit.

6. The English standard - good quality at high cost. The American standard - fair quality at low cost. If an American plan railway succeeds the maintenance ~~xx~~ increases cost above Enligh standard; if it fails losses are smaller.

7. As quoted in the address of Premier Johnson of British Columbia in his address at the Vancouver hearing of the Board of Transport Commissioners in the 15 Percent Case, November 1948. Letter in Public Records Office, F.O. 5/1104. Date: January 12, 1867.

8. Angus, H.F. British Columbia and the United States. Ryerson, Toronto. 1842. p 235 fn. "The British Columbia delegation...to discuss... Confederation requested...a wagon road....the Province was promised... a Pacific Railroad".

9. These were transferred to Dominion ownership by Article 108 of the British North America Act.

10. Feniam Raids, 1860.

11. Statutes of Canada, 35 Victoria, Chaper 71.

12. To the value of about $37,000,000. Jackman ~~p.21~~. op.cit. p.21.

13. Statutes of Canada, 44, Victoria, Chapter 1.

14. The new railway would be under the authority of the Railway Committee of the Privy Council. The contract between the government and the railway insured adequate service and established a statutory maximum profit of ten per cent on investment. This statutory limitation was removed in 1881.

15. Tradition says the last spike was of gold but it was an ordinary iron spike. See Angus H.F. British Columbia and the United States, Ryerson, Toronto, 1942, p. 241.

16. Statutes of Canada, 47, Victoria, Chapter 1.

17. p. 9. fn 16.

18. Manitoba, 50, Victoria, Chapter 4.

19. Statutes of Canada, 62-63, Victoria, Chapter 57.

20. Manitoba, 63-64, Victoria, Chapter 4.

21. Saskatchewan, 8-9, Edward VII, Chapter 3.

22. Alberta, 9 Edward VII, Chapter 14.

23. Statutes of Canada, 47, Victoria, Chapter 52.

24. Really Canada's pioneer railway, established by Statutes of Canada 4, William IV, Chapter 29.

25. Statutes of Canada, 3, Edward VII, Chapter 122.

26. Jackman, W.T. Economic Principles of Transportation. University of Toronto Press. Toronto, 1935, p.156. Jackman, op cit. p. 156.

27. Loc. cit. Jackman, op cit. p. 327

28. Prepared for the government of British Columbia as portion of its brief presented at hearings of the Board of Transport Commissioners in Vancouver, British Columbia, November, 1948. Whilst this map is doubtlessly authentic it gives but a part of the complete rail rate picture.

29. Jackman, W.T. Economic Principles of Transportation. University of Toronto Press, Toronto, 1935, p. 327.

30. Petition of the Attornies-General of the Governments of the Provinces of Alberta and British Columbia by way of an appeal from an order of the Board of Railway Commissioners for Canada, June, 1922, providing for a change in Railway tolls. Original in University of British Columbia Library.

31. p. 6

~~32. By ocean freight.~~

33. Standard mileage or Commodity rates.

34. Report of the Royal Commission to inquite into Dominion Provincial Affairs, 1937, Book 11, p. 191.

35. Jackman, W.T. Economic Principles of Transportation. University of Toronto Press, Toronto, 1935, p. 157. Jackman, op cit. p. 157.

36. Embodied in Statues of Canada, 60-61. Victoria, Chapter 5.

37. Manitoba, 63-64, Victoria, Chapter 4.

38. That is, the remainder of the Prairie Region. Saskatchewan and Alberta were not organised until 1905.

Chapter Two. FURTHER EXPANSION AND CO-ORDINATION SINCE 1903.

The Canadian Pacific Railway with its excellent system of main and branch lines and its efficient terminal facilities on both Atlantic and Pacific Oceans was a symbol of Canada at the beginning of the new century. Almost from its inception it had been a financial success due largely to the effects of the customs tariff. This very success gave impetus to the development of competing railway lines.

If the population increase of the 1890's and early 1900's was to continue it was more or less soundly reasoned that there would be in Canada business enough for more than one great nationwide railway system, a second great ocean-to-ocean line together with a second network of branches and feeders to enter into a healthy competition with the Canadian Pacific Railway. Popular enthusiasm for this and other schemes ran high as evidenced by a Dominion Government Act of 1911 [39] authorising the construction of the Hudson Bay, Peace River and Pacific Railway to link Port Nelson, Manitoba, and Port Simpson, British Columbia.

That the hazards of such an undertaking as a second transcontinental, all-Canadian railway were realized by the Government and by the managements of the railway companies is indicated in the records of Dominion Government sponsored conferences held between the Grand Trunk and Canadian Northern Railways in 1903 with respect to either amalgamating or making the construction of a connecting line from Port Arthur to North Bay a joint enterprise.[40]

These conferences produced no agreement and subsequently both railways with the consent and financial assistance of the Dominion Government [41] built lines on a huge scale. Honourable A.G. Blair, the Minister of Railways resigned his portfolio as a protest against the

extravagances of this new policy of railway expansion.

Within a few years the Canadian Northern Railway under the aegis of Messrs. Mackenzie and Mann was stretching from Vancouver to Winnipeg and thence via a Dominion Government subsidized extension to Montreal and the combined Grand Trunk and Grand Trunk Pacific Railways were extending through the Dominion Government-owned National Transcontinental Railway from Prince Rupert to Moncton and to Portland, Maine, whilst their branches with those of the Canadian Pacific Railway paralleled their tracks and duplicated service in many instances throughout the various inhabited regions. Three main lines bridged the Laurentian Shield north of Lake Superior and competed for the insufficient traffic. From Kamloops to Vancouver the Canadian Pacific Railway ran along one side of the Fraser and the Canadian Northern ran along the other.

Railway development in Canada was an investment with relatively high risk and required large amounts of foreign capital. Private enterprise in Canada could not hope to raise the large amounts required without governmental assistance. This assistance took the form of guaranteeing bonds which resulted in a heavy fixed interest charge on the railways and made it almost inevitable that these railways should be nationalised.

As Manitoba had done in 1887 both Alberta[42] and Saskatchewan[43] guaranteed payment of interest on the bonds of small railways. Motives may have been mixed namely a wish for the settlement of new areas and a desire for reduced freight rates through competition or negotiation. These provinces had been granted a seven-and-one-half percent reduction in freight rates shortly after Manitoba had negotiated for a fifteen percent reduction in the Manitoba Agreement of 1901. The full fifteen percent reduction was finally granted to Saskatchewan and

Alberta by the Board of Railway Commissioners after the exhaustive hearings[44] of the Western Rates Case[45] wherein it was deduced that the freight rates in the Parairie Region were justifiably higher than these in effect in the Central Region because of the rail and water competition there, yet conditions in the three Prairie provinces, being substantially similar warranted the extension of the Manitoba scale to the entire Prairie Region.

The provinces of Ontario, Alberta and British Columbia became owners of railways in various ways. The Temiskaming and Northern Ontario Railway[46] was incorporated as a provincial project[47] and if it has not opened new areas to agriculture as intended it has served in assisting the development of valuable mineral resources. Alberta and British Columbia were forced to take over the financially embarrassed Northern Alberta and Pacific Great Eastern Railways respectively.[48] Alberta was able to lease the Northern Alberta Railway to the Canadian National and Canadian Pacific Railways but British Columbia is saddled with the incomplete and financially weak Pacific Great Eastern Railway.

British Columbia had joined with the Prairie Provinces in the demand for reduced freight rates in 1911 and the decision in the Western Rates Case regarding that province was that the higher cost of construction and more expensive mountain operation made the higher rates in the Pacific Region not only justifiable but necessary. Some reductions were made to implement a former decision.[49]

The new transcontinental railways had been constructed for thousands of miles through unpopulated territories, through undeveloped and in many cases undevelopable lands. The sanguine hopes for new population

were temporarily dashed by the First Great War (1914 - 1919) and the two recently extended railway systems found the financial strain of these long and unproductive lines intolerable. The new and incomplete systems were unable to cope with the huge burden of traffic and the severe winter conditions of 1916 resulted in a tangle of substandard equipment in inefficient terminals. The great railways with the exception of the Canadian Pacific appealed once again to the Dominion Government for further loans or guarantees of interest payments on bond issues.[59] Guarantees would have been of small avail as embattled Europe required all available monies.

In 1917 the Dominion Government appointed a Royal Commission of three, one Englishman, one man from the United States of America and one Canadian, to enquire into railways and transportation.

Mr. A.H. Smith of New York, president of the New York Central Railway and chairman of the Royal Commission was unable to agree with the other gentlemen and tabled a minority report which in essence recommended that the Dominion Government continue to aid these unfortunate railways financially and that certain duplication of service on parallel lines be eliminated. "Let the Canadian Pacific alone; let the Grand Trunk operate the eastern lines...; let the Canadian Northern operate the western lines...; let the Government operate the connections or procure their operation by private companies;...and....look forward to the not distant day when the country will have survived the war and resumed its prosperous growth"[51] Mr. Smith recommended that the Board of Railway Commissioners then concerned with privately owned railway lines only be given jurisdiction over all railways in Canada in the matters of rate regulation, securities, new construction etcetera

and the creation of a Board of Trustees to investigate the need of financial or other aid to the railways, to approve of this aid and to ensure that the Dominion Government receives security for aid in case of default. He could not recommend that the Dominion Government should saddle itself with Canadian billion dollar railway outlay nor that a drastic change in Government transportation policy be made during wartime. The continuation of Dominion Government aid would be necessary under any plan and Mr. Smith believed that "the best results...have been obtained by the efficiency and economy of private initiative, energy and capital".[52]

Sir. H.L. Drayton of Ottawa, a financier, and Mr. W.M. Acworth of London, England, an economist, recommended in their majority report that a new railway company be formed by the Dominion Government in such a manner as to ensure its protection from the whims of party politics. On various terms the Grand Trunk Railway, the Grand Trunk Pacific Railway and the Canadian Northern Railway were to be taken over by the Dominion Government and, with the Intercolonial Railway and the National Transcontinental Railway, which were already Government owned, to form the basis of the new Dominion Railway Company. Rather than have the new company operated by a Minister directly responsible to Parliament the majority report recommended that a somewhat idealized non-political, permanent and self-perpetuating Board of Trustees be incorporated to be in charge. The Dominion Railway Company would be operated on "a commercial basis....on account of, and for the benefit of, the people of Canada".[53] As Chief Commissioner Smith had done, these gentlemen recommended the extension of the authority of the Board of Railway Commissioners to include all the

railways in Canada.[54] With many other recommendations of a less important nature the majority report terminated with recommendations for management, public Railway Councils and for improved highways.[55]

After lengthy process of legislation an Act was passed in 1919 incorporating the Canadian National Railway Company -[56] "..... directors to be nominated by Governor-in-Council; stock to be vested in the Minister of Finance;...(along with) the Canadian Northern Railway, the Canadian Government Railways and all lines that may be entrusted to it by Order-in-Council".

The same year the Grand Trunk Pacific Railway went into Government receivership[57] and in 1923 the Grand Trunk Railway was amalgamated with the Canadian National Railway.[58] Eventually in 1927 the receivership of the Grand Trunk Pacific Railway was terminated and it was absorbed into the giant network.[59]

The organizing of the Canadian National Railways by the Dominion Government precluded embarrassment for those provinces which, following the example of Manitoba in 1901, had guaranteed the interest on certain bonds issued by railway companies when a total of $85,874,000[60] of these guarantees was incorporated into the financial structure of the new company. As they mature these bonds are paid off (except some guaranteed in perpetuity) and now total about $3,000,000.[61]

By the Act of 1919[62] the Board of Railway Commissioners was reorganised as a powerful judicial[63] body to administer the Railway Act. Regarding questions of law[64] its decisions are open to appeal to, and to review by, the Governor-in-Council. Many petitions from the provinces, separately or in groups, have been heard by the Board and its decisions have frequently relieved stress in the fields

of both politics and economics.

The Drayton-Acworth Report of 1917, although recommending the Dominion Government to take over numberous railways and with them form one huge and physically unified system, saw no pressing need for the simplification of the capital structure. In 1932 it was reported[65] that in the Canadian National Railways there were " ...one hundred and thirty-nine separate companies with two hundred and fifty-one different issues, requiring annually the preparation of forty-two income accounts and ninety balance sheets". This confusing situation persisted until 1937 when it was substantially simplified.

The Fabulous Twenties ! The war to end war was over. After a short period of financial depression prosperity made itself manifest in Canada. The economy of the land after having been compressed into controlled channels began to expand once again. Our great rival railway companies built new lines at record-breaking speeds almost in sight of each other thus continuing and intensifying unwise rivalry and further duplicating services. In this the Canadian National Railway was the worse offender for it must not be forgotten that the public purse was open to this company. In one year, 1929, (a pre-election year) the Canadian National Railway largely by extravagance increased its funded debt by $144,000,000.[66] Luxurious coastal passenger steamships were built and operated at great loss on the Pacific. Palatial hotels were constructed (in certain instances needlessly) all across Canada at a total cost of $103,000,000 to the railways.[67] All seemed right with the world.

Freight rates during this period were not increased; in fact, they were decreased in the Maritime Region (by Dominion Government subsidy of 20 percent)[68] and in the Pacific Region the mountain

differential was reduced.[69] There was also a small decrease in commodity rates.

For some years Canada had operated as an economic unit. In a pleasant theory the coal, iron, vegetables and fish of the Maritime Region were exchanged for manufactured goods from the Central Region. The wheat and cattle of the Prairie Region were exported to the world and the Prairies bought more manufactured goods from the Central Region and fish, fruit and forest products from the Pacific Region. The railways had made the dream of the Fathers of Confederation a reality.

The great railway companies, while uniting the provinces and building the Canadian economy, interested themselves also in immigration and colonization, town planning and irrigation, development of resources and national publicity. If they have shown a profit in all these fields[70] they have immeasurably aided the growth and progress of the nation in all its regions.

Curiously enough, by the very existence of the railways and with the assistance they rendered in developing the operation of Canada as a huge unit they encouraged further regionalism by making possible local development.

When the Prairie Region had reached population saturation by present agricultural standards its demand for the products of the other regions began to become stabilized. Each region then became or endeavoured to become a separate world trade entity once again. Whilst the Maritime Region remained almost static in population, trade and wealth, the Central Region began to develop its manufacturing to compete on a world basis. Hydro electric power proved cheap and plentiful (sic.), minerals and forests were easily accessible and a good labour supply was at hand.

With an excellent transportation system and a tariff-protected Canadian market the Central Region began to reach for a share of world trade.[71] Refrigerator ships began to call at West Coast ports to take on cargoes of fruit for Great Britain and specially equipped vessels made regular calls at both Atlantic and Pacific coasts for pulp and paper whilst British Columbia timber gained world renown. Hundreds of millions of bushels of Prairie wheat still helped to feed Europe.

In addition to the competition between the two great Canadian railway systems there appeared in the 1920's a short-haul competitor that was to develop into a major menace to the railways. This was the highway carrier.

Highways are a provincial matter excepting inter-provincial highways which, coming under the head of inter-provincial transportation, are theoretically under the Dominion control.[72] The provinces have spent many millions of dollars on highways and collect substantial fuel taxes and license fees from motor carrier operators. As the railways are the concern of the Dominion Government (with the exception of ~~the Ontario Northland and Pacific Great Eastern Railways~~ some short provincially-contained railways.), it follows that regulation of motor carriers in order to aid or protect railways will be a cause of Dominion-Provincial friction.

An maximum economic short haul for a highway carrier would seem to be about four hundred miles and as this form of transport is more convenient than the railway in that it is able to give door-to-door service, and, as evolution cannot be denied, it is quite possible that the greater percentage of short hauls for comparatively small quantities of goods will be made by this method, leaving all long and heavy hauling to the railways.

From the point of view of the railways the important factor of highway transportation is the fact that it results in the destruction of their commodity discriminatory rate system. In order to remain solvent the railways have to raise rates for services to high-bulk, low-grade goods. As the demand for the transportation of these goods is relatively elastic this is liable not only to curtail their movement in the ecomomy but also perhaps to result in a decline in railway revenue. Regulation of rates of highway transporation might be of considerable advantage in improving the situation of the railways particularly during periods of business depression.

The great Canadian railway extravagances of the nineteen-twenties came to an abrupt conclusion just as that decade was drawing to a close when the initial blow of the Great Depression fell in October, 1929, in the form of a tremendous stock market crash. This unfortunate time lasted roughly for four years and was followed by a gradual business upswing until 1937 when a second economic depression was experienced and persisted until the end of the nineteen-thirties. Little wonder the decade to follow the Fabulous Twenties is known as the Hungry Thirties. World trade was badly disrupted and this, together with poor crops returns in the Prairie Region, placed the economy of Canada in a most unenviable position.

The railways were amongst the first great Canadian institutions to find themselves in a dilemma. Traffic declined and revenue dropped more rapidly than costs owing to the high constant costs of railway operation. The large net income of the Canadian Pacific Railway of nearly $62,000,000 in 1928 fell to about $30,000,000 in 1931 whilst similar figures for the Canadian National Railway were $44,500,000 and a deficit of more than $5,000,000.[73]

Sir Henry Thornton, head of the Board of Directors of the Canadian National Railways, called the attention of the Select Standing Committee on Railways and Shipping of the House of Commons to the serious position of the railways and business generally and recommended that a Royal Commission be appointed for the purpose of considering the whole question of Canadian Transportation.

A second Royal Commission was therefore appointed in November, 1931.[74] to inquire into the whole problem of transportation in Canada. The Right Honourable Lyman Poore Duff, P.C. of Ottawa was chairman of this commission and although there were able economists and prominent financiers with him on the commission[75] they were unable to produce any real solution to the vast problem.

The report of the Duff Commission offers in a masterly style the history of Canadian transportation enterprise and ably illustrates by means of tables and graphs just what was wrong with the railways of Canada. Overexpansion, unwise competition and duplication of services and the impact of the Great Depression, they report, were the cause of the unfortunate plight of 1931. Freight rates were too inelastic to meet with motor-carrier transport and precluded prompt action in dealing with falling revenues. Labour contracts of the great railways had rendered the wage scale rigid. The Canadian National Railway was burdened as well with the liabilities of insolvent railways, large capital expenditures to improve the absorbed deteriorated construction[76] and large scale political pressure arising out of direct government control.

The commission recommended that the identity of the two large railway systems be maintained and that the Canadian National

Railways be emancipated from political pressure; that the two systems should co-operate and that the burdens of the Canadian National Railways be scaled to reasonable dimensions; that extravagant operation be checked and that, in doing so, regarding the government-owned railway, the privately-owned railway be given protection. It was indicated that the Canadian National Railway would not be able to carry its huge debt from its earnings even under improved conditions. The commission urged the adoption of its unanimous recommendations as a public duty to maintain the stability of the finances of Canada.

The following table taken from the report of the Royal Commission to inquire into Dominion-provincial Relations of 1937 [77] illustrates what was happening to the economic organisation of Canada:

	Prices of 17 major exports.	Export Prices. Farm products.	Wholesale Prices	Employment Index.	Index of Industrial Production.
1929, July	100	100	100	100	100
1930, June	82	70	90	93	80
1930, December	66	42	80	87	74
1931, June	62	42	74	83	64
1931, December	61	41	72	80	61
1932, June	54	37	68	72	59
1932, December	47	30	66	67	52

The railways being very closely associated with all the above facets of the nation's economy were probably in a more serious position. By December 31, 1931, the Canadian National Railways was attempting to carry a debt of $2,669,926,371[78] with a net operating revenue of only $24,414,447.[79] The Duff Commission recommended that, as a very substantial part of the money invested in the railways

comprised within the Canadian National System must be regarded as lost, the capital liabilities of that railway should be heavily written down. It is difficult to understand why they should continue by stating they considered that the time was inopportune to deal with this important matter.

From 1929 to 1939 there were few demands for a reduction in railway freight rates made by provincial governments. The fires of the Dominion-Provincial rail freight rate controversy were as an ember compared to the dreadful conflagration of the Great Depression. Because of their greatly reduced revenues and vastly increased social service expenditures the provinces appealed for financial assistance from the Dominion Government. This aid was generously given, considering that the Dominion Government too was in straitened circumstances. As the streams of commerce had shrunk to rivulets the doabs[7] of taxation had become almost desert.

The recommendations of the Duff Commission were implemented to the extent of the Canadian National-Canadian Pacific Act[80] which provided for co-operation between the two systems thus ending some of the duplication of services, for a Board of Trustees for the Canadian National Railways to replace the former directorate,[81] and for a tribunal to arbitrate differences between the railways. Further implementation was given the report by the appointment of a firm of accountants to make a continuous audit of the finances of the Canadian National Railways.[82]

An Act of 1936[83] provided for a Board of Directors,[84] seven in number, to manage the Canadian National Railways. Subject to the approval of the Governor-in-Council this Board of Directors was to

[7] Punjab. Irrigated areas between rivers.

choose a President. In the debate on this Act the leader of the Opposition emphasized the fact that contrary to both the recommendations of the Drayton-Acworth and Duff Reports the management of the Canadian National Railways was very much subjected to the whims of party politics.[85]

The Canadian National Capital Revision Act of 1937[86] provided for the Canadian National Railways Securities Trust to which was surrendered by the Dominion Government certain Canadian Northern Railway Company stock and Grand Trunk Railway liabilities. Whilst this revision reduced the liabilities of the Canadian National Railways by $1,500,000,000 it cannot be said that it reduced by any appreciable amount the huge railway debt of the Dominion Government. The financial tangle of the Canadian National Railways was somewhat simplified but the balance sheets hereafter did not give the complete picture of the proprietor's equity (the cost to the people of Canada) in the government-owned railway. This Act made no contribution to the solution of the railway problem.[87]

An Order-in-Council of 1937[88] appointed a Royal Commission of distinguished Canadian economists and lawyers "to re-examine the economic and financial basis of the Confederation and of the distribution of legislative powers in the light of the economic and social developments of the last seventy years." The Commissioners were instructed "to examine public expenditures and public debts in general"[89] and this necessitated investigation into the question of railway expenditure which had amounted to 40 percent of the total Dominion budget in 1932 at the depth of the Great Depression and by 1937 was still consuming about 15 percent of the current revenue of the Dominion

Government.[90]

That the depth of the Canadian transport problem was almost unfathomable toward the end of the Great Depression is indicated by the recommendations of this Royal Commission, as contained in their report "The Commission has come to consider the transportation problem of Canada one of the problems which cannot be solved without close collaboration between the Dominions and the provinces....,it has confined itself to discussing the issues which will have to be faced, in the hope of doing something to clarify the problem of jurisdiction. It points out, however, the great advantage which might be derived from a Transport Planning Commission which would be concerned both with planning transportation developments in a broad way, and with facilitating the co-operation between the Dominion and the provinces in transportation which is necessary for the taxpayer."[91]

Throughout the report of the Royal Commission the problem of transport runs like a red thread - the necessity of transport, the sectionalism, the hugh debt burden and the effectiveness - a problem that grew and spread with Canada. In a study specially prepared for this Royal Commission[92] the question of freight rates is examined from many angles.

There were many causes for the plight of Canada's railways and these were all intensified in the 1930's. Although transport has presented its problems for a century and will in all likelihood cause many anxious times in the future there has been little concerted action to apply satisfactory solutions.[93] The efforts were Like small attempts to stem a rising flood when little barriers are thrown up here and there only to have the relentless waters appear in the gaps seeping, dripping, pouring, flooding.

In our history we are a people that patch up here and there hoping for the best, muddling through, as they say in England. During crises a different story is told when we pull up our economy by its roots or dig under the very foundations of our democracy that we may strengthen it.

1937 presented a crisis. Little barriers had been built in vain hope to stem the tide of depression ever since 1930. They had been, for the most part, washed away and it seemed Canada must surely succumb to some foreign political philosophy. Sir Henry Thornton pleaded for help beyond the imagination of the tradition-bound Parliamentarians so they appointed a Royal Commission in 1931 then muddled through the decade.

The report of the 1937 Royal Commission regarding transportation gives gratifying study, for in broad sweeps it mentions then passes over unpaid interest, constant costs, capital structures, decline in traffic, unwise competition, lack of co-ordination, debts, depreciation, depression, world trade, bonds, freight rates, hydra-headed control, highways, labour, operating costs, politics, motor carriers, provincial rights, private ownership, deficits, water routes, revenues, airwayw and unification and recommends a Transport Planning Commission. What could be simpler, more fair or more rational?

When the report of the Royal Commission into Dominion-provincial Relations was shelved in 1940 it was a sad day for the transport of Canada. It was a war casualty.

Almost overnight the railway problem, or at least its financial aspect, disappeared. Once again Europe was embroiled in war and once again Canada was doing her part. In 1939 the railways of

Canada were ready to assume their key role. Neither war nor wintertime, nor want of funds, hindered this time.

The long trains of freight rolled eastward in ever-increasing volume. The total operating revenues of the railways soared.

1938.....	$336,833,400
1939.....	367,179,095
1940.....	429,142,658
1941.....	538,291,947
1942.....	663,610,570
1943.....	778,914,656
1944.....	796,636,786 [94]

During the Second Great War (1939-1946) freight rates in Canada were more or less rigidly controlled but until December, 1941, when they were frozen, costs mounted steadily. Even after they were frozen the Wartime Prices and Trade Board authorized certain increases in industrial prices. Import and export freight rates, insofar as they were related to rates to and from United States ports and international through rates,[95] were increased following interim increases in rates granted to United States railways by the Interstate Commerce Commission. Until 1948 the general level of Canadian freight rates was not increased over the reduced level established by the Board of Railway Commissioners in 1922.[96]

The costs of wages and materials together added $132,000,000[97] to the operating costs of the railways after cessation of hostilities in Europe in 1945 when Canadian prices began to rise once again. The operating revenues of the railways commenced to decline about the same time due to the decreasing movement of war supplies. By 1946 this decline had become substantial. Continuing the above table:

1944.....	$796,636,786	
1945.....	774,971,360	
1946.....	718,501,764	
1947.....	770,000,000	estimated.

In 1940 the combined gross operating revenues of the Canadian National and Canadian Pacific Railways was roughly $384,000,000 and produced a net operating revenue of $80,500Ø,000 whereas a gross operating revenue of $693,000,000 estimated for 1947 was estimated to produce a net operating revenue of only $71,000,000 because of rising operating expenses.[98]

For some sixteen years the controversy over rail freight rates between the Dominion and provincial governments had been relegated to a place of minor importance because of the gigantic struggles against economic recession and military agression. With the coming of peace in 1946 the voices of sectionalism crying discrimination in rail freight rates were again heard in Canada. The increase of provincial government revenues during war years and post-war years permitted the fighting of regional rate battles on an unprecedented scale.

Footnotes to Chapter Two.

39. Statutes of Canada, 1-2-George V, Chapter 93,1911.

40. Glanebrooke, G.P. de T. A History of Transportation in Canada, Ryerson, Toronto, P.321.

41. In accordance with the General Subsidy Act of 1895. Statutes of Canada Grand Trunk Pacific Railway guarantee - Statutes of Canada, 4-5, Edward Vll, Chapter 98. Canadian Northern Railway Guarantees - Statutes of Canada 7-8 Edward Vll, Chapter 11, Statutes of Canada 1-2, George V, Chapter 12 etc.

42. Alberta, 9, Edward Vll, Chapter 16, 1909.

43. Saskatchewan, 2, George V, Chapter 11, 1912.

44. November 14, 1911 to April 6, 1914.

45. 17, Canadian Railway Cases, 123, p.9.

46. Later known as the Ontario Northland Railway.

47. Ontario, 2, Edward Vll, Chapter 9.

48. British Columbia, 2, George V, Chapter 34.

49. Coast Cities Case, 1907. Third Annual Report. B.R.C. 1908, p. 133.

50. The Canadian Northern Railway requested $100,000,000 - Report of Royal Commission to inquire into Railways and Transportation in Canada, 1917, p. xxxiv.
The Grand Trunk Railway and its subsidiary the Grand Trunk Pacific Railway requested $30,000,000 - Report of Royal Commission to inquire into Railways and Transportation in Canada, 1932, p.81.

51. Report of the Royal Commission to inquire into Railways and Transportation in Canada, 1917, p. C 11.

52. Ibid. p. CV

53. Ibid. p. LXXVll

54. The Majority Report recommended that the Board of Railway Commissioners investigate minimum as well as maximum rates and thus protect the railways against cut-throat competition.

55. Ibid. p. LXXXll
It was costing 54¢ to haul 100 pounds of grain 35 miles to Battleford, Saskatchewan, and only 40¢ from Battleford via Port Arthur to Liverpool, England.

56. Statutes of Canada, 9-10, George V, Chapter 13, 1919.

57. Statutes of Canada, 9-10, George V, Chapter 22, 1919.

58. Canada, P.C. 181, January 20, 1923.

59. Canada, P.C. 1011, May 27, 1927.

60. Manitoba, $24,330,000; Saskatchewan, $17,904,000: Alberta, $18,394,000: British Columbia, $25,026,000: Ontario $7,860,000 Report of Royal Commission on Dominion provincial Relations Volume 11, p.202.

61. Canada Year Book 1947, p.665

62. Statutes of Canada, 9-10, George v, Chapter 13, 1919, As Fn 56.

63. Hence non-political although the Leader of the Opposition in 1936 was inclined to doubt this. Debates, House of Commons, Canada, Session 1936, Volume 1, p.63.

64. But not facts.

65. Report of the Royal Commission to inquire into Railways and Transportation in Canada, 1932, p. 85.

66. Manion, R.J. A view of Canada's Railway Problem, Canada's Problems, Oxford University Press, Toronto, 1934, p. 154.

67. Report of Royal Commission to inquire into Railways and Transportation in Canada, 1932, p. 23.

68. Maritime Freight Rates Act, Statutes of Canada, 17, George V, Chapter 44, 1927.

69. Annual Report, Board of Railway Commissioners, 1922, pp. 220-239. General Order 366, 30 June, 1922.

70. Especially the Canadian Pacific Railway.

71. The writer saw made-in-Ontario Moffatt kitchen ranges in India.

72. British North America Act. British Statutes, 30, Victoria, Chapter 3, 1867, Article 92, 10(a).

73. Report of Royal Commission to inquire into Railways and Transportation in Canada, 1931, p. 16.

74. P.C. 2910. Canada.

75. See Appendix C.

76. The Grand Trunk Railway was not in good repair when taken over by Canadian National Railway. December Report of Royal Commission to inquire into Railways and Transportation in Canada, 1917, p.XXIV

77. Volume 1, p. 144.

78. Report of the Royal Commission to inquire into Railways and Transportation in Canada, 1931, p. 30.

79. Loc cit.

80. Statutes of Canada, 23-24, George V, Chapter 33, 1933.

81. The Board of Directors of the Canadian National Railways had been inaugurated to implement the Drayton-Acworth Report by the Statute of Canada, 9-10, George V, Chapter 13, 1919.

82. Statutes of Canada, 24-25, George V, Chapter 3, 1934.

83. Statutes of Canada, 1, Edward Vlll, Chapter 25, 1936.

84. The lack of continuity in the administration of the Canadian National Railways is possibly responsible for both a lack of efficiency in management and a lack of a real feeling of trusteeship in the managers. Sec. Thompson, L.R. The Canadian Railway Problem, McMillan, Toronto, 1938, p.151.

85. House of Commons, Hansard, April 27, 1936, p.2201.

86. Statutes of Canada, 1, George Vl, Chapter 22, 1937.

87. Thompson, L.R. op cit p. 1035. A piece of political manipulation and financial infidelity without a parallel.

88. Canada, P.C. 1908, August 14, 1937.

89. Ibid, Clause 3(e)

90. Report of the Royal Commission on Dominion-provincial Relations, 1940, Volume 1, p.161.

91. Ibid, Volume lll, p.275.

92. Henry, R.A.C. and Association, Railway Freight Rates in Canada mimeographed, Ottawa, 1939.

93. The recommendation of the Rowell-Sirois Commission has not been implemented. There is no satisfactory over-all Transport Planning Commission in Canada.

94. Board of Transport Commissioners for Canada, Judgments, Orders, Regulations and Rulings, Ottawa, April 5, 1948, p.11.

95. As for example from Detroit to Buffalo across the Ontario peninsular.

96. Board of Transport Commissioners, April 5, 1948, op cit, p.7.

97. Loc cit.

98. Ibid, p.16.

Chapter Three. PRESENT RATE INCREASES AND THEIR CAUSES.

On October 9, 1946, the Railway Association of Canada on behalf of its member companies applied to the Board of Transport Commissioners for authority to increase freight rates horizontally by thirty percent.[99] This increase would be applicable to all standard mileage rates including rates from and to United States border points and rates on import and export traffic through Canadian ports moving at rates not related to rates in effect from and to United States ports. Such an increase could not apply to agreed or statutory rates such as the Crow's Nest Pass rates on grain movements in Western Canada and these rates were not included in the application. Rate differentials were to be preserved as far as practicable and the minimum charge between any two stations for one hundred pounds was to be not less than seventy-five cents.

After a lengthy and searching investigation during which the Board of Transport Commissioners travelled across the Dominion conducting hearings in many important centres and delved deeply into railway revenues, operating costs and profits, a decision was given on March 30, 1948. It allowed a horizontal rate increase of twenty-one percent but added that if the railways could prove their costs had risen substantially within the next two years they could be allowed another increase without a detailed investigation. The minimum charge for a single less-than-carload shipment was to be for one hundred pounds and not less than seventy-five cents.[100]

Later in 1948 the Railway Association of Canada presented a second application for permission to increase freight rates. A fifteen percent increase was sought in addition to the twenty-one

percent already granted.

Seven provinces had made almost immediate protest regarding the application for the 30 percent increase in rates. As the Canadian Pacific Railway had been the criterion upon which this request was based it was singled out for special abuse.

The accounting system of the Canadian Pacific Railway was perhaps open to question and the provincial governments (excepting Ontario and Quebec) were quick to indicate that its estimates of requirements were possibly too great. The rented subsidiary lines were probably being grossly overpaid. Questions were asked regarding the propriety of including in its estimates the costs of operation of the many outside interests such as steamships, airways, hotels, telegraphs etcetera which had small connection with freight rates. The method used by the Canadian Pacific Railway to allow for depreciation includes increased costs for prosperous years and decreased costs for times of economic depression. This method is not used by other railways and is very difficult. The seven provincial governments protested regarding all these matters and some others of a more minor nature. The adequacy of the efficiency of the Canadian Pacific Railway accounting system seemed open to doubt and the great company, according to the provincial governments, was not very careful regarding its finances in general.

These provincial governments considered also that the highway- and water-carrier competition in all likelihood would eliminate the proposed increase in the central region and so accentuate the differentials.

percent already granted.

If the provincial governments[101] had made great protest during the hearings regarding the application for a thirty percent horizontal increase in freight rates and regarding the decision to allow a twenty-one percent increase, they had become vociferous concerning the rider providing for a further increase in rates without a hearing if the railways could prove substantial increases in costs. With the presentation of the second application for a rate increase they became vehement.

Hearings were conducted at important centres regarding the fifteen percent application and local problems were so magnified that a further special hearing was conducted in Ottawa to study the problem of the case of British Columbia regarding the removal of the Mountain Differential. As yet no decisions have been handed down in these matters.

Public opinion during the hearings on the application for a fifteen percent increase in freight rates seemed so adverse toward the railways that the Dominion Government deemed it advisable to appoint a third Royal Commission[102] headed by the Honourable W.F.A. Turgeon, to inquire into Railways and Transportation in Canada.

Horizontal freight rate increases are granted upon standard mileage rates only, not upon commodity rates or statutory rates by which eighty-five percent of the rail freight of Canada is shipped.[103] Shippers of wheat and other grains and grain products, timber and forest products, coal, fruits, livestock and dairy products, in fact shippers of practically all primary products enjoy these special commodity or statutory rates. The Crow's Nest Pass Agreement of 1897 is proof that both the Dominion Government and the rail carriers are eager to encourage

basic industry by granting the lowest freight rates consistent with economical and effective service. It is the policy of the Dominion Government to assist secondary industry by means of the customs tariff.

An illustration of the effectiveness of an increase in freight rates can be given in the additional charge for a pound of butter. From a given point the rate for transporting butter to Vancouver is 80 cents per 100 pounds and butter is retailing in that city at 70 cents per pound. A 21 percent increase in freight rates will result in about 17 cents being added for each 100 pounds or .17 of a cent per pound, thus raising the price of butter to 70.17 cents per pound. This increase would add substantially to the earnings of the railways and, were it not voiced so loudly by local politicians nor pyramided by local dealers, would pass almost unnoticed by Vancouver consumers.

Regarding a lower priced commodity consider that from a given Prairie station it costs 40 cents to transport 100 pounds of wheat to the seabord and that wheat is selling for $1.50 per hundred pounds so returning the farmer $1.10. A freight rate increase of 21 percent or 8.4 cents per 100 pounds will net the farmer only $1.01.6 per hundred pounds, a considerable decrease.

The Board of Transport Commissioners is kept informed by its competent staff of economists and legal advisors regarding the essentials of any case before it and this information, with the combined experience of its members, is of great aid in arriving at satisfactory decisions.

Until 1903 such powers as the Dominion Government possessed in respect of regulation and supervision of railways was exercised by a Railway Committee of the Privy Council. This was a

sub-committee of the Cabinet and its functions and status had been defined by an Act of 1868.[104]

As the bounds of the Dominion widened and the number of railways increased it became more and more difficult for a political body such as the Railway Committee to adjudicate between a railway and a municipality, a citizen or another railway without embarrassment to the Dominion Government. The voices of sectionalism were being raised constantly regarding the political expediency or partisanship of almost all the orders and regulations of the Railway Committee and the need for an impartial court to deal with matters affecting railways became urgent. Such a court was recommended for Canada in 1898 in the report of Professor S.J. McLean when he was commissioned by the Minister of Railways and Canals, Honourable A.G. Blair, to investigate the subject of railway regulations in other countries. To implement this report an Act[105] of 1903 provided for the abolition of the Railway Committee of the Privy Council and for the appointment of three[106] commissioners to be known as the Board of Railway Commissioners for Canada.

The Consolidated Railway Act of 1897[107] had empowered the Railway Committee (which was in reality an advisory body to the Governor-General in Council) to approve railway tolls or to reduce them, with the consent of the railways, to produce, at the greatest, a fifteen percent annual profit upon the capital invested.[108] This power was acquired by the Board of Railway Commissioners when it was formed.

The Board of Railway Commissioners had no jurisdiction over government-owned railways until 1919, when an Act[109] made all Canadian railways[110] subject to its decisions. Two Acts[111] of 1927 provided for the application of the terms of the Railway Act of 1919 and

the Maritime Freight Rates Act of 1927 to the Canadian Government Railways by the Board of Railway Commissioners.[112] An Act[113] of 1938 elevated the Board of Railway Commissioners into a Board of Transport Commissioners with authority over railways, coastal shipping and air traffic.

The Board of Transport Commissioners has frequently stated that its prime purpose is to reach decisions on the reasonableness of railway rates. They have rendered their interpretation of many aspects of the Railway Act and such interpretation has been followed uniformly in all cases coming before them. "These rulings and interpretations have been accepted by both shippers and carriers as being the correct interpretation of the Railway Act and have never been appealed or challenged by counsel for any interest as being contrary to the Act"....[114]

It should be noted that on July 7,1919, an amendment to Section 325 of the Railway Act suspended the application of the Crow's Nest Pass Agreement for three years. This suspension was later extended[115] until July 7, 1924. On its termination the railways filed new tariffs which were in complete accord with the Crow's Nest Pass Agreement. By their General Order, number 408, the Board of Railway Commissioners disallowed these new rates on the grounds of unjust discrimination since the Crow's Nest Pass Agreement rates did not apply to lines constructed since 1897. The higher rates were then re-instated and the governments of Manitoba, Saskatchewan and Alberta appealed to the Supreme Court of Canada. The Board of Railway Commissioners postponed the operation of its order, number 408, pending the decision of the Supreme Court. The Courtn ruled that the Board of Railway Commissioners was not empowered to authorize rates in excess of statutory maximum rates.[116] Although

the Manitoba Agreement had been recognised by the Dominion Government, it was not an Act of the Parliament of Canada, hence not a statutory rate and the Board of Railway Commissioners need pay it no further heed.

A rate that would be just and reasonable for one railway might be unjust and unreasonable for another, hence it is difficult for the Board of Transport Commissioners to arrive at the medium which will, on the whole, be just and reasonable, insofar as possible, and, at the same time, be just and reasonable to the community which must pay the toll. The Board of Transport Commissioners takes the view that arriving at this medium "....,can best be accomplished by taking the requirements of the Canadian Pacific Railway as the guide or measure, in the establishment of what (B.T.C.) considers to be just and reasonable freight rates to be paid by the users of the railways."[117]

A freight rate may be reasonable and discriminatory at the same time. The following citations from cases which have come before the Board of Transport Commissioners will illustrate this point:

"The Railway Act authorizes and justifies discrimination. It is only an undue, unfair or unjust discrimination that the law is aimed against."[118]

"The (Railway) Act, as it has always been interpreted by the Board, only forbids discrimination when it is undue or unreasonable."[119]

"Mere mileage comparisons do not afford criteria of discrimination, but all facts must be given weight. In other words....mileage is not a yardstick of discrimination; discrimination, in the sense in which it is forbidden by the Railway Act, is a matter of fact to be determined by the Board."[120]

"...the matter of detriment, if any, to which the applicant is

subjected by the alleged unjust discimination or undue preference must be considered."[121]

"One criterion of unjust discrimination is whether the district alleged to be discriminated in favour of has profited at the expense of the locality against which it is alleged the discrimination has taken place."[122]

" ... no evidence was submitted that any rate advantage possessed by any competitor had rendered it more difficult for the applicant company to do business, and the allegation of unjust discrimination was held to be unfounded."[123]

"The ultimate test of discrimination is to be found not in difference of rates but in the question whether as a result of this discrimination an injury is worked to an individual or locality. One test of this is whether the locality alleged to be favoured gets into a common market on a lower rate. The rate paid rather than the distance travelled is important."[124]

The whole freight rate structure is honeycombed with rates that are exceptions to any rule of equality, and that this condition has always existed, has been recognised and approved by all rate-making tribunals and is not contrary to law.

Rates based upon competition are not considered discriminatory by the Board of Transport Commissioners as the Railway Act has special provisions permitting this type of rate to meet ship, motor-carrier or other rail transport. "So far as ... competition is concerned, it has been recognised over and over again in various decisions of this Board that the exent to which ... competition shall be met is in the discretion of the railway ..... This principle of water competition has also been recognised ... by all rate-regulating commissions."[125]

The five "scales" of the Canadian freight rate structure have been mentioned[126] but to recapitate they are:

Maritime, Central, Superior, Prairie and Mountain.

The governments of the Maritime provinces, separately or in concert, have protested to the Board of Transport Commissioners on numerous occasions regarding the unjustness of the freight rates in their region. Their complaints, as all other complaints, have been patiently heard and their rates adjusted. The Dundan Royal Commission on Maritime Claims of 1926 and the resultant Maritime Freight Rates Act[127] of the following year are evidence that these protests were not without avail. It was realised that some of the claims of the extremely vocal element in the Maritimes had solid foundation; that Canada had consciously discriminated against this region, especially since the organisation of the Canadian National Railway when almost overnight the Intercolonial Railway with its political and defensive background, its government-absorbed deficits and its patronage was changed into a railway which attempted to operate upon strict commercial principles and motives.

The terms of the Maritime Freight Rates Act of 1927 provided for the decrease of all freight rates on all railways in the region by twenty percent with a similar reduction in rates on freight consigned west of Levis or Diamond Junction (the western boundary of the Maritime scale). This differential is collected by the railways from the Dominion Government thereby indicating subsidized freight rates in the Maritime region. To-day some voices in the Maritimes are attempting to prove that motor-carrier competition in the Central region has so reduced freight rates in that scale that the prefential Maritime differential has been practically eliminated.

Commencing with the Book Tariff of 1874[128] various attempts were made to produce a satisfactory schedule of freight rates in the Central Region. Ten years later the Canadian Standard Mileage Tariff appeared and standardized the conflicting rates of various railways. With the growth of local railways the area covered by this tariff was enlarged until it included all the province of Quebec west of Levis and Diamond Junction and all the provinces of Ontario east of Capreal and Sudbury. Ten classes of freight were detailed in the 1884 tariff and the fifth class was used as a base.

1st Class.....200 percent of 5th Class
2nd Class.....175 percent of 5th Class
3rd Class.....150 percent of 5th Class
4th Class.....125 percent of 5th Class

This tariff has remained the standard in the Central Region and in essence has been used as a model for the tariffs in the other regions.

The freight rate structure in the "spout of the hopper" as Sir William van Horne termed the Lake Superior Region, was devised to facilitate the movement of settlers' effects and frontier necessities into the Prairie Region, and grains, especially wheat, from the Prairies to Eastern Canada. A rate schedule was first published with the opening of the Canadian Pacific Railway in 1885 but six months later these rates were considerably reduced because of political pressure in the Province of Manitoba. The Superior scale is based upon the Prairie scale and even after the 1886 reduction was still appreciably higher than the Central scale. This tariff was applied to the Canadian Northern and National Transcontinental Railways and is still in effect.

In submitting the first freight rates schedule for the Prairie Region in 1883, Mr. Collingwood Schreiber, Chief Engineer of

the Government Railways wrote:

"In accordance with instructions received from the Honourable Minister,[129] I have prepared for his consideration a freight tariff for the Western Division of the Canadian Pacific Railway. This, it will be observed, is higher than tariffs of the railways in Eastern Canada, but I think it is only in proportion to the comparatively greater cost of operating a railway in the North West. ... and that the line runs for hundreds of miles through a district which, if not wholly unsettled, is very sparsely settled indeed, and which will yield but a very light traffic for some time to come.

"I have, however, borne in mind the express wishes of the Honourable Minister, that the tariff be framed with a view to the settlement of the country and the promotion of its trade.

"To this end low rates are placed on some of the most important articles, such as emigrants' effects (one-half special 6th class) coal, cordwood, lumber and graim."[130]

This tariff with four merchandise and seven special classes remained in effect until 1885 when a new ten-class tariff was published which was very similar to the Central scale. In 1894 Tariff 270 was published which was really an extension of Mr. Schreiber's original to ten classes. Although modified by the Crow's Nest Pass Agreement, the Manitoba Agreement andnthe decision in the Western Rates Case[131] Tariff 270 is still the basis of the Prairie scale. The Prairie Region extends from Armstrong and Fort William, Ontario, to Edson and Canmore, Alberta, and Crow's Next, British Columbia, including also the British Columbia Lakes District.

The Pacific or Mountain freight rate scale was made

higher than the other scales because of greater construction and operating expenses in that Region. These higher rates were secured by the novel method of applying the Prairie scale to the Pacific Region and inflating the mileage between various points:

	Actual Mileage.	Published Mileage.
Vancouver to Yale	101.9	102
Yale to Revelstoke	277	415
Revelstoke to Canmore	195.4	391

The B.R.C. in the Western Rates Case of 1914 ordered the cancellation of inflated mileages and the adoption of inflated rates up to a distance of 750 miles, the maximum in the region. Rates were inflated to one and one-half times the Prairie scale and in 1922, by order of the Board of Railway Commissioners, this was reduced to one and one-quarter based on fourth class, or about 16 percent overall.[132]

A horizontal increase in freight rates serves to accentuate this "Mountain Differential". The 21 percent increase of 1948 applied to a Prairie rate of $1.00 is equal to 21 cents whilst applied to a comparable Pacific rate of $1.25 is equal to 24-25 cents.

It should be noted that whilst the province of British Columbia is making such great protests against the Mountain Differential the provincially-owned Pacific Great Eastern Railway makes use of the same Pacific scale in its freight rates schedule. The province of British Columbia continues to protest against the mountain differential but it is quite possible that the province gains more from the Transcontinental rates[133] than it loses in the payment of the mountain differential. If the mountain differential is removed the Railway will in all likelihood attempt to withdraw the Transcontinental rates.

The various "scales" discussed above are appicable to Standard Mileage Rates only; indirectly to Commodity rates which are very low,[134] and not at all to Statutory rates. As has been mentioned 85 percent of railcarriage in Canada is made under Commodity and Statutory rates.

When the original Schreiber four-class Prairie Region freight rates schedule was extended to the ten-class Tariff 270 in 1894, the new schedule was based upon fourth class.

1st Class.....200 percent of 4th Class
2nd Class.....166.2/3rd percent of 4th Class
3rd Class.....133.1/3rd percent of 4th Class

This Prairie scale was used as a standard for the Superior and Pacific scales whilst the Central scale based on fifth class was used as a standard for the Maritime scale. Thus we find that Sudbury and Capreol divide the Dominion freight rate structure into two distinct groups. In the East, fifth class is one-half first class; in the West, fourth class is one-half first class. In the East, first class is double fifth class; in the west, first class is double fourth class. The Western rates seem the greater either way yet there has been only vague protest regarding this aspect.

Horitzontal increases in freight rates were necessary in Canada because of the inflationary periods of the two Great Wars.

A general increase of fifteen percent was allowed by the Board of Railway Commissioners on December 26, 1917,[135] and a further increase of twenty-five percent was granted by an Order-in-Council of July 27, 1918.[136] A General Order of the Board of Railway Commissioners[137] increased rates in Eastern Canada by forty percent and in Western Canada by thirty-five percent on September 13, 1920.

To this increase the governments of Manitoba and Saskatchewan made unavailing protest but the same order contained a provision for the reduction of these percentages to thirty-five percent in the East and to thirty percent in the West. A final reduction to twenty-five percent in the East and twenty percent in the West (that is, over rates in affect prior to September 13, 1920) was provided for by the Board of Railway commissioners and came into effect December 1, 1921.[138] With the exception of the twenty-one percent general horizontal increase of March 30, 1948, there have been no advances in the general level of Canadian freight rates since 1921.[139]

Railway freight rate "scales", although coinciding in no instance with provincial boundaries, do more or less coincide with sectional interests. These various interests whilst speaking with a comparatively weak voices in the Dominion Parliament can easily be heard in provincial legislatures. The provincial legislatures usually are pleased to serve substantial portions of their constituents in a matter of such importance as railway freight rates. As the Dominion Parliament controls these railway freight rates it is but natural that controversy should ensue.

"It is not in the nature of things possible to secure anything like absolute equality of treatment to all persons who use the railways, or even like treatment to all who are using the same railway. The general public have theoretically a right to complain if the people in one or more sections of the country served by a particular railway are given a better service than the people of other sections; but with every desire on the part of the railway company to accord equally fair treatment to all patrons over its entire system, circumstances and conditions are too controlling, oftentimes, to be resisted or overcome." 140

Footnotes to Chapter Three.

99. Except rates on coal and coke ~~[illegible]~~ which were to be increased as:
up to and including $100 - 20¢ increase.
$1.00 to and including $1.50 - 30¢ increase.
over $1.50 - 40¢ increase.

100. Board of Transport Commissioners, Judgments, Orders, Regulations and Rulings, Ottawa, Vol. XXXVlll, April 5, 1948, pp. 66-69

101. With the notable exceptions of Ontario and Quebec.

102. P.C. 6033, December 29, 1948.

103. Jackman, W. Economic Principles of Transportation, Ryerson, Toronto, 1935, p.327.

104. Statutes of Canada, 31, Victoria, Chapter 68, 1868.

105. Statutes of Canada, 3, Edward Vll, Chapter 58, Part lV, 1903.

106. The number of commissioners was increased to six in 1908. Statutes of Canada, 7-8, Edward Vll, Chapter 62, 1908.

107. Statutes of Canada, 42, Victoria, Chapter 9, 1897.

108. The Act incorporating the Canadian Pacific Railway set its maximum profit at ten percent. Statutes of Canada, 44, Victoria, Chapter 1, 1881.

109. Statutes of Canada, 9-10, George V, Chapter 13, 1919.

110. With the exceptions of provincially-owned railways contained in any one province, e.g. Pacific Great Eastern Railway and Ontario Northland Railway.

111. Statutes of Canada, 17, George V, Chapter 44, 1927.

112. See Appendix "B" for the duties and jurisdiction of the Board of Transport Commissioners.

113. Statutes of Canada, 2, George Vl, Chapter 53, 1938.

114. Board of Transport Commissioners, Rulings and Orders, Volume 38, p.47.

115. Except on grains and flour.

116. The Crow's Nest Pass Agreement was embodied in Statutes of Canada, 60-61, Victoria, Chapter 5, 1897.

117. Board of Transport Commissioners, Judgments, Orders, Regulations and Rulings, Vol. XXXVlll, April 5, 1948, Kings Printer, Ottawa, p.36.

118. Canadian Railway Cases. Canadian Law Book,Company, Toronto, Vol 11 p.375.

119. Ibid, Vol. 18. p. 424

120. Ibid, Vol. 27, p. 172

121. Ibid, Vol. 28, p. 111

122. Ibid, Vol. 8. p. 45

123. Ibid, Vol. 24, p. 177

124. Ibid, Vol. 20, p.23.

125. Ibid, Vol. 15, p. 146

126. Supra. Chap 1, p.12.

127. Statutes of Canada, 17, George V, Chapter 24, 1927.

128. Henry, R.A.C. Railway Freight Rates in Canada, Ottawa, 1939, p. 86 (mimeographed edition, appendix to RowellpSirois Report)

129. Sir Charles Tupper, K.C., M.G., C.B., Minister of Railways.

130. Henry, op. cit. p. 91

131. Already described supra ~~pp.11,12 and 15~~ Chap. 1, pp. 14.15 and Chap 11, p. 20.

132. Board of Transport Commissioners, Judgments, Order, Regulations and Rulings, King's Printer, Ottawa, Vol XXXVlll, April 5, 1948, p. 85.

133. See Chapter One, page 14.

134. Supra, ~~p.~~Chap 1, p.13.

135. Board of Railway Commissioners, General Order, 213.

136. P.C. 1863, July 27, 1918, Canada.

137. Board of Railway Commissioners, General Order 308.

138. Board of Railway Commissioners, General Orders, 11. B.R.C. 330.

139. Rates in the United States of Americam have been advanced fifty-one percent since 1946.

140. 3, Canadian Railway Cases. pp. 259-260.

Chapter Four. SOME FUTURE POSSIBILITIES.

Gazing into a crystal ball is one of the more popular pastimes for we are all inclined to wonder what is held in the days or years to come.

The present builds the future out of the past so our crystal ball is composed of history books, economics books and geography books. We may predict certain changes affecting transport in Canada over a period of years and if some suffering student should happen upon this a century hence he may be truly awed at our wonderful foresight - or he may be humoured by our innocence.

Transport is not the lifeblood of our land, but its network is comparable to the arteries that carry lifeblood hence any weakening or hardening will cause serious defect in the well being of the country. If Canada is to continue to prosper the unrestricted circulation of our goods must continue across the land and through the years.

If the simile may be carried further we may say that even as a being has but one heart so the transport system of Canada may tend toward a single directorate to provide adequate co-ordination, planning, research and regulation.[141] We are convinced that the railways have benefited as a result of the centripetal movement of railway regulatory bodies.

The control of highway carriers may gradually centralize in the Dominion Government and so eliminate the confusion of various provincial jurisdictions. A trans-Canada highway is to be constructed with large financial assistance from the Dominion Government and perhaps this will result in some sort of precedent-setting nation-wide regulation of motor carriers along its entire length.

With their restricted revenue the provinces are not wealthy enough to do justice to the ever-growing and well-founded demand for better roads, yet any suggestion to the effect that the provincial governments be shorn of their highway powers[142] would in all probability produce a rare provincial unanimity in an emphatic negative.

Provincial governments[143] do regulate highway carriers to some extent but the regulatory bodies do not provide similar controls nor do they work in co-operation with the Board of Transport Commissioners.[144] The lack of control in the Central Region has given rise to strong competition between the motor carriers and the railways and to the detriment of both, freight rates in that region have been substantially reduced.[145] The control exercised by the provincial governments in Manitoba, Saskatchewan and British Columbia has begun to produce the desired result of road transport co-ordination within the controlled areas that is a healthy competition for the railways but not unjustly discriminatory against them. The history of the Board of Transport Commissioners would indicate that, with some augmentation, that body would be well equipped to regulate motor carriers all across Canada with similar successful results. To compensate the provinces for this loss of revenue, power and prestige, they might be given a voice in the selection of the members of the Board of Transport Commissioners.

As the route of the main line of the Canadian Pacific Railway is traced westward from its eastern terminal in Saint John, New Brunswick, it is noted that it traverses the State of Maine emerging to cross southern Quebec to Montreal then on to Ottawa and North Bay, Ontario. From Montreal a main line also follows the St. Lawrence River

and Lake Ontario to Toronto, whence it taps and supplies its network in the Ontario peninsula; from Toronto this main line turns north to junction with the Ottawa line at North Bay.

A difficult and unproductive route, broken only by the fortunate accident of the Sudbury batholith, stretches from North Bay to Fort William but the double-tracked portion from Fort William to Winnipeg carries very heavy grain traffic.

Some of the best and some of the least productive prairies are crossed from Winnipeg to Calgary then one of the most difficult mountain routes is traversed wherein are encountered heavy grades and very long tunnels which indicate high costs of construction and operation.[146] The "Colossus of the North" follows the exceedingly fertile and prosperous Fraser Valley to reach its western terminal at Vancouver.

The question may be asked - will the great and successful Canadian Pacific Railway enterprise continue to prosper and maintain its identity? It links most of the large metropolitan centres and serves many of the better primary and secondary industrial areas but also passes through large unproductive regions and districts where production would appear to be on the decline. The branch lines serve well-founded and prosperous areas and will presumably ensure the good fortune of the Canadian Pacific Railway.

Present development of Canada is chiefly to the northward of the main line of the Canadian Pacific Railway and closer to the main line of the Canadian National Railways.[147] The water power, timber resources and minerals of the Laurentian Shield are undergoing energetic exploitation; the richer areas of the northern prairies the adjoining

parkland and the Peace River country are being brought under cultivation and the varied resources of northern British Columbia give promise of great wealth. The former composite structure of the Canadian National Railways has been fully integrated into one huge transportation system which is well and efficiently managed,[148] ~~and~~ The Canadian National Railways Capital Revision Act of 1937[149] greatly alleviated the financial burden carried by the railway. It may be possible for the present Royal Commission to recommend further reductions in the debt burden and so place the financial structure in a position comparable to other major railways in North America.

The future of the Canadian National Railways would seem to be promising, perhaps even to the point of giving justification to the optimism of William MacKenzie, Donald Mann, Alfred Hays, Sir Wilfred Laurier and the other men who worked so earnestly for "Canada's Century".[150]

The population of Canada may increase to fifty million.[151]

Unless new varieties of wheat can be developed that will provide greater harvests or more intensive agricultural methods are adopted the export of wheat will diminish almost to the vanishing point as practically the entire yield will be consumed within the dominion.[152]

The mines of Canada, the forests, the oilfields and the fisheries will doubtlessly yield greater produce than at present and the railways will be transporting iron ore from Labrador; perhaps, even from Hudson Bay or James Bay ports whence the ore has been brought from the Belcher Islands, oil from Alberta, coal from Alberta and northern British Columbia, and newsprint from many areas to mention a few staples that will require long, heavy and economical hauling. It will remain essential for the railways to carry wheat from the prairies to the flour

mills which will continue to be located close to sources of power in both Eastern Canada and in British Columbia. Government regulated rail freight rates for wheat will remain low to encourage this spread of industry and consequent spread of population.

The economic system of Canada, based upon primary industry, is founded upon exports to the markets of the world with the direct result that economic trends in consuming areas are shortly reflected and perhaps even magnified in the economy of Canada. The graph in Appendix 1 will illustrate the great fluctuations in the price of wheat over a period of years whilst wheat freight rates during the same period have remained fairly constant. This tends to produce hardships for the producer when the price of wheat is low and perhaps some financial difficulty for the carriers when the price of wheat is high. The cost of living index curve roughly parallels the line representing the price of wheat indicating that all costs, including railway operating costs, rise as does the price of wheat. When railway operating expenses rise it is necessary for the railways to appeal to the Board of Transport Commissioners for an increase in tolls and rates.

The present Royal Commission is empowered to review the Railway Act and may perhaps recommend a more speedy and satisfactory means of effecting a general freight rate revision. The present method is so long and involved[153] that conditions may be subjected to substantial alterations between the date of application by the railway and the date of the decision of the Board of Transport Commissioners.

Possibly a sliding scale of grain freight rates based upon a percentage of the average price of wheat for the previous year would serve as a partial solution to the problems of railway freight

rates during periods of inflation or deflation.

The exceedingly long and inexpensive hauls required by most large-bulk low-value commodities, such as wheat, would indicate that the regions wherein these commodities are produced are benefiting by a preferential discrimination in the matter of freight rates. This contention is quite possibly true but it cannot be proven that the railways either make a profit or suffer a deficit because of these low commodity rates.

It can be shown that grain freight rates in Canada are the lowest in the world[154] and that this is part of the policy of the Dominion Government to build a stable and prosperous economy in the Prairie Region and to provide a greater ton and mile volume of traffic for the railways.[155] The only limitation on these longhaul commodity rates is contained in the long and short haul clause of the Railway Act, 1919, which provides that the total charge for a short haul must not exceed the total charge for a long haul if the short haul is included in the long haul.

New techniques will undoubtedly evolve to increase the efficiency of rail carriage, to speed it and to make it even more dependable and less expensive.

In Canada the railways provide certain door to door service by the use of motor carriers to and from stations in the larger centres. In Great Britain the railways have made great efforts to combat motor-carrier competition by means of adaptable boxes that are transferred from motor carrier to railway flat car and vice versa, thus eliminating costly delays of trans-shipment. Block switching of trains over an entire division is in use in some parts of Canada. New types of

boxcars may be designed to facilitate loading and unloading and, as the new, light-weight, strong alloys become available in great quantity some types of freight cars may be constructed of them. This type of car would not only increase speed, safety and efficiency but would lessen wear and tear on railway roadbeds.

There are comparatively few miles of electrified railway in Canada but this source of power may be used more extensively in the future as more and cheaper electricity becomes available, especially in the Central Region with its great potential in the projected St. Lawrence Seaway.

The present Royal Commission to inquire into transportation in Canada may be able to do much to counteract the voices of sectionalism by a thorough investigation of complaints of economic, geographic or other disadvantages under which certain sections of Canada find themselves in relation to various transportation services.

Some complaints may be proven groundless. Regarding others it may be shown the conditions causing them are transitory. A few may be wellfounded as was that of the Maritime Region in 1926 in which cases the commission may be able to recommend that certain measures should be instigated in order to alleviate these situations.

In arriving at their decision in the 30 percent case the Board of Transport Commissioners experienced great difficulty in attempting a comparison of the needs of the two major railways as their accounting methods were at variance in many aspects. Various revenues and expenses are so shown that it is extremely difficult to segregate actual transportation accounts from accounts concerning hotels, telegraphs etc. The present Royal Commission has been given authority to review

these "accounting methods and statistical procedures and report upon the advisability of adopting measures conducive to uniformity in such matters, and upon other related problems such as depreciation accounting, the segregation of assets, revenues and other incomes, etc....."[156]

The scope of the present Royal Commission does not extend to the performance of functions[157] which, under the Railway Act, are within the exclusive jurisdiction of the Board of Transport Commissioners.[158] This is unfortunate. That the Board has been consistently alert to the transportation problems of Canada as they have arisen and has been judicious in its decisions is beyond question. It would perhaps be fitting to allow the Royal Commission to report upon the effect of the decision of the Board of Transport Commissioners on the Canadian economy as a tribute to its half-century of achievement. The Royal Commission can consider the past history of the Board of Transport Commissioners and may recommend that it should have wider or narrower functions or powers.

Regardless of the "improvement" in warfare by the introduction of the atom bomb, many troops and vast quantities of material will be required for the defence of Canada in the event of hostilities in the future and the Dominion Government will indubitably insist that the railways are maintained in an efficient operating condition.

Comparatively small mileage of new construction is anticipated in the forseeable future. A route to the iron deposits of Labrador is being studied by the government of Quebec and the Pacific Great Eastern may be completed in British Columbia. It is possible the Government of the United States of America will build a railway

through Canada to Alaska as a defence measure.

The pioneer of transport in Canada, the St. Lawrence River, may be improved to allow ocean-going shipping to pass through to the heart of the continent. This would have an adverse effect on the railways, especially in Eastern Canada where such water competition, even if seasonal, would tend to force freight rates down.

Air transportation, especially of passengers, will in all likelihood continue its present expansion[159] until practically all the longer journies will be undertaken by this means. With the exception of the large areas to the north of the populated "strips" of Canada[160] the growth of the carriage of freight by air will be hindered by its exceedingly high costs.

Political influence in the crude sense has largely disappeared from the affairs of both the Canadian Pacific and Canadian National Railways. For more than twenty years there has been no new statutory rate and the last one imposed (the Maritime Freight Rates Act of 1927) did not result in a reduction of railway revenue. Control of freight rates by the Board of Transport Commissioners has been an important part of Dominion policy and will continue as such, but this control has at no time created great financial disadvantage for either the railways or the users.

For many years the railways, protected by the Dominion customs tariff, encouraged by defence policy and secure under the judgments, order, ruling and regulations of the Board of Transport Commissioners will continue to play the dominant role in Canadian transportation. The other forms of transportation will remain in purely secondary, if important, positions which will become more worthy

as the trend toward centralized control and regulations advances.

Freight rates in the various "scales" have shown a tendency toward equalization. Appendix F illustrates that, with the exception of the Maritime scale, there is no very great difference between any two scales. The decreases of 1921 and 1922 were especially effective in furthering this equalization.

Ultimately a unified control of transport and a fairly equalized freight rate structure through Canada may produce harmony between the Dominion and the provincial governments.

Footnotes to Chapter Four.

141. This was recommended in the Report of the Royal Commission into Dominion-Provincial Relations, 1937, Volume 11, p. 275. Almost all major reforms in the administration and regulation of Canadian transport have been recommended by Royal Commission Reports.

A Bill "to establish a Board of Transport Commissioners with authority in respect of transport by railways, ships, aircraft and motor-vehicles" was introduced into the Senate of Canada on February 2, 1937(a). This Bill was rejected by the Senate on March 18, 1937, chiefly because it was held that much shipping on the Great Lakes would be unable to function under any regulation, and because 98 percent of highway transportation is intra-provincial and, therefore, by the accepted interpretation of the British North America Act, 1867, under the jurisdiction of the provincial governments.

The Transport Act of 1938(b) was introduced into the House of Commons on March 1, 1938, as "an Act to establish a Board of Transport Commissioners for Canada with authority in respect of railways, ships and aircraft". This became law June 30, 1938.

Control of aircraft was vested in the Department of Munitions and Supply in 1944.(c)

(a) Canada, Debates of the Senate, February 2, 1937, p. 50 Senator Dandurand.
(b) Statutes of Canada, 2, George VI, Chapter 53, 1938.
(c) Statutes of Canada, 8, George VI, Chapter 28, 1944.

See also Appendix H.

142. By Dominion Government declaring all roads for the general advantage of Canada by Section 92: 10:(B) of British North America Act.

143. Manitoba, Saskatchewan and British Columbia.

144. Provincial highway regulations do tend to restrict rate competition in their areas.

145. Supra. Maritime claims, Chapter Three. p. 46

146. Angus, H.F. British Columbia and the United States, Ryerson, Toronto, 1942, p. 234, fn. 9. Eight mountain passes listed from an early survey.

Name	Location	Altitude
1. Yellowhead	Athabaska to Fraser	3,760 feet.
2. Howse	Red Deer to Columbia	6,347 feet.
3. Kicking Horse	Bow to Columbia	5,420 feet.
4. Vermillion	Saskatchewan to Kootenay	4,947 feet.
5. Kananaskis	Bow to Kootenay	5,985 feet.

	Name	Location	Altitude
6.	Crow's Nest	Crow to Kootenay	5,985 feet
7.	British Kootenay	Railway to Kootenay	5,960 feet
8.	Red Stone Creek	Waterton to Kootenay	6,030 feet

(1. Used by Canadian National Railways, 3 and 6. Used by Canadian Pacific Railways)

147. Supra. Chapter 11, p. 19

148. Board of Transport Commissioners, Judgments, Orders, Regulations and Rules, Volume XXXVlll, Ottawa, April 5, 1948, pp. 17-18
Operating Rates for 1946:
Canadian National Railways - 88, 23.
Canadian Pacific Railways - 86, 50.

149. Statutes of Canada, 2, George Vl, Chapter 22, 1937. Interest payable to the Government reduced by $35,000,000 annually - on monies advanced by the Parliament of Canada to the Canadian National Railways to defray operating expenses incurred prior to 1937 - Board of Transport Commissioners, op. cit. p.
The fixed charges of the two railways are:

Canadian National Railways - $45,000,000 annually
Canadian Pacific Railways - $18,000,000 annually

150. The effort toward 'Canada's Century' provided the Dominion with three transcontinental railways. The United States of America still has no transcontinental railway.

151. Taylor, Griffith, Canada, Methuen, London, 1947, p. 516.

152. U.S. wheat production - 1,155,000,000 bushels. 1946 small export.
U.S. Population - 131,669,275 - 1946.
Canadian wheat production - 352,214,000 bushels. 1947.
Probable Canadian population - 50,000,000 (fn 151)
Even with greatly increased wheat production the ratio would indicate only a small export of this commodity. Figures, except probable Canadian population from the Statesman's Year Book, 1948. MacMillan, London.

153. 30 percent Case : Application, October 9, 1946, Decision, March 30, 1948.

154. Henry, op. cit. p. 284

155. c.f. Schreiber Tariff, p. 47 and Crow's Nest Pass Agreement, p. 14.

156. P.C. 6033 December 19, 1948.

157. Appendix B.

158. P.C. 6033, December 19, 1948, para. 5.

159. 1940 - 140,025; 1941 - 208,059; 1942 - 299,047; 1943 - 314,642; 1944 - 403,938; 1945 - 525,407.

Canada Year Book, 1947, p. 720.

1946 - 836,548; 1947 - 1,045,829.

Civil Aviation in Canada, 1947. King's Printer, Ottawa, 1948, 1,200,000 estimated.

160. Populated Canada is about 3000 miles in length and about 600 miles wide at its greatest width in Alberta.

APPENDIX A.

The British North America Act, 1867, 30 - 31, Victoria, Chapter 3, March 29, 1867. Sections relevant to transportation.

91.....it is hereby declared that (notwithstanding anything in this Act) the exclusive Legislative Authority of the Parliament of Canada extends to all Matters coming within the classes of Subjects next hereinafter enumerated, that is to say: -

2. The Regulation of Trade and Commerce.

10. Navigation and Shipping.

29. Such classes of Subjects as are expressly excepted in the Enumeration of the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces.

And any matter coming within any of the Classes of Subjects enumerated in this section shall not be deemed to come within the Class of Matters of a Local or Private Nature comprised in the Enumeration of the Classes of Subjects by this Act assigned exclusively to the Legislatures of the Provinces.

92. In each Province the Legislature may exclusively make Laws in relation to Matters within the Classes of Subjects next hereinafter enumerated, that is to say : -

10. Local Works or Undertakings other than such as are of the following classes.

a) Lines of Steam or other Ships, Railways, Canals, Telegraphs, and other works and Undertakings connecting the Province with any other or others of the Provinces, or extending beyond the Limits of the Province.

b) Lines of Steam Ships between the Province and any British

or Foreign Country.

c) Such Works as, although wholly situate within the Province, are before or after their Execution declared by the Parliament of Canada to be for the general advantage of Canada or for the advantage of Two or more of the Provinces.

13. Property and Civil Rights in the Province.

16. Generally all Matters of a merely local or private Nature in the Province.

108. The Public Works and Property of each Province, enumerated in the Third Schedule to this Act, shall be the Property of Canada.

The Third Schedule.

1. Canals, with Lands and Water Power connected therewith.
2. Public Harbours.
3. .....and Piers.....
4. Steamboats, Dredges and Public Vessels.
5. Rivers and Lake Improvements.
6. Railways and Railway Stocks, Mortgages and other Debts due by Railway Companies.
7. Military Roads.
9. .....Ordnance Property.

APPENDIX B.

Summary of the general jurisdiction and powers of the Board of Transport Commissioners.

1. The Board has full jurisdiction to inquire into and decide any complaint arising out of, or in connection with, the operation of the Railway Act or any Special Act, or any regulation or order made thereunder by any lawful authority, and has similar authority regarding any request made to the Board that the latter should make any order for, or give its sanction or approval to, anything required or prohibited under the legislation.
2. It may order a railway company or a person subject to the Act to do or to cease doing anything required or forbidden by the Act. In this it has full jurisdiction to determine all matters whether of law or fact.
3. As regards the attendance and examination of witnesses, the production and inspection of documents, the enforcement of its orders, and other things connected with its jurisdiction, the Board has all the rights and privileges of a superior court.
4. It may make orders or regulations concerning what is to be done or what is prohibited under the Act, and generally for carrying the Act into effect. It may recind or alter these orders or regulations as it may think proper. It may provide penalties, when not provided in the Act, for infraction of any of these orders or regulations.
5. It has jurisdiction as to the agreements entered into between the company and another party concerning the provision, construction, alteration, maintenance, or use of the railway or any part of

its equipment.

6. It may, of its own motion, or shall, upon the request of the Minister of Railways and Canals -(Transport)- inquire into and determine any matter upon which it could act on complaint on application of some interested party. In the same way, the Governor-in-Council may refer to the Board for a report concerning anything arising in connection with the Act.

7. It may require the construction, provision, or execution of such works as it considers necessary and apportion the cost of the establishment and maintenance of such works.

8. Of its own motion, or upon the application of any party, or at the request of the Governor-in-Council, the Board may state a case in writing for the opinion of the Supreme Court of Canada upon any question of law or of jurisdiction of the Board: and the Supreme Court shall determine the question and remit its opinion thereon to the Board. But the findings or determination of the Board as to matters of fact within its jurisdiction are binding and conclusive.

9. Any regulation, order, or decision of the Board, when published for three weeks in the Canada Gazette, and while it remains in force, shall have the same effect as if embodied in the Railway Act, and all courts are required to take judicial notice thereof.

APPENDIX C.

Personnel of Relevant Royal Commissions.

1. Royal Commission to inquire into Railways and Transportation in Canada, 1917

   Mr. A.H. Smith, New York, U.S.A. Chairman
   Sir H.L. Drayton, Ottawa, Canada.
   Mr. W.M. Acworth, London, England.

2. Royal Commission to inquire into Railways and Transportation in Canada, 1931-2

   The Rt. Hon. Lord Ashfield, London, England.
   The Rt. Hon. L.P. Duff, P.C. Ottawa, Canada, Chairman.
   Sir J. W. Flavelle, Bart., Toronto, Canada.
   Mr. B. Leman, C.E., Montreal, Canada.
   Mr. L.F. Loree, C.E. New York, U.S.A.
   Mr. W.C. Murray, L.L.D., Saskatoon, Canada.
   Mr. J.C. Webster, M.D., Shediac, Canada.

3. Royal Commission on Dominion-Provincial Relations, 1937.

   The Hon. N.W. Rowell, L.L.D., Toronto, Ontario, Chairman.
   The Hon. T. Rinfret, Ottawa, Canada, (resigned)
   Mr. J.W. Dafoe, L.L.D., Winnipeg, Canada.
   Mr. R.A. MacKay, Ph.D., Halifax, Canada.
   Mr. H.F. Angus, M.A. B.C.L., Vancouver, Canada.
   Mr. J. Sirois, L.L.D., Quebec, Canada.

4. Royal Commission to inquire into National Transportation in Canada, 1949.

   The Hon. W.F.A. Turgeon, K.C., L.D. Ottawa, Ontario, Chairman.
   Mr. H.F. Angus, M.A., B.C.L., Vancouver, Canada.
   Mr. H.A. Innis, M.A. Ph.D. L D., D.Ec.Sc., Toronto, Canada.

APPENDIX D.

Boundaries of "scales" of Maximum Standard Mileage Class Rates as of 1949.

Maritime: Diamond, Levis, Megantic, Quebec and east thereof.

Central: Diamond, Levis, Megantic, Quebec, and west thereof to and including Cochrane, Capreol, Sudbury, Sarnia and Windsor, Ontario, and west thereof to Sudbury and Sault Ste. Marie, Ontario.

Superior: Cochrane, Capreol and Sudbury, Ontario and west thereof to Armstrong, Westfort and Porth Arthur, Ontario.

Prairie: Port Arthur, Westfort and Armstrong, Ontario, and west thereof to Edson and Canmore, Alberta, and Crow's Nest, British Columbia.*

Pacific: Edson, Canmore, Alberta, and Crow's Nest, British Columbia and west thereof.

* British Columbia Lakes District also included in Prairie Scale.

APPENDIX E.

History of Maximum Standard Mileage Class Rates by "scales".

Maritime Scale.

Date.	Class Rates in cents per 100 pounds. 1	5	10	Notes.
50 Miles				
June, 1876	22	-	-	1
3 Dec, 1889	18	8	4.5	2
1 Mar, 1898	18	9	6	3
21 Apr. 1913	22	11	7	4
27 July, 1915	24	12	7	5
1 Dec, 1921	43	22	12.5	6
10 May, 1923	43	22	12.5	7
1 July, 1927	34	17	11	8
30 Mar, 1948	40	20.5	13	9
400 Miles				
June, 1876	76	-	-	1
3 Dec, 1889	44	21	15.5	2
1 March, 1898	44	22	15	3
1 April, 1913	58	29	20	4
27 July, 1915	58	29	20	5
1 Nov, 1915	60	30	20	5
1 Dec, 1921	108	54	36.5	6
10 May, 1923	125.5	63	41.5	7
1 July, 1927	100	50	34	8
30 March, 1948	121	60.5	41	9
1000 Miles				
1 March, 1898	80	40	27	3
21 April, 1913	100	50	36	4
27 July, 1915	100	50	36	5
1 Dec, 1921	180	90	65	6
10 May, 1923	269.5	135	95.5	7
1 July, 1927	220	110	76	8
30 March, 1948	266	133	96	9

Notes to the Maritime Scale.

1. Early four class rate
2. First ten class rate
3. Scale modified
4. Scale increased
5. Scale increased, 27 July, 1915, and 1 Nov, 1915.
6. Following completion of horizontal increases and decreases in all areas.
7. Scale made same as Central scale
8. Maritime Freight Rates Act
9. Scale increase. 30 percent Case

Central Scale.

Date.	Class Rates in cents per 100 pounds			Notes.
	1	5	10	
50 Miles.				
June, 1874	24 (Summer)			1
	28 (Winter)			
1 Jan, 1884	24	12	7	2
1 Decbr, 1921	43	22	12.5	3
30 March, 1948	52	26.5	15	4
400 Miles.				
June, 1874	76 (Summer)			1
	80 (Winter)			
1 Jan, 1884	70	35	23	2
1 Dec, 1921	125.5	63	41.5	3
30 March, 1948	152	76	51	4
1000 Miles.				
1 Jan, 1884	150	75	53	2
1 Dec, 1921	269.5	135	95.5	3
30 March, 1948	326	163	115.5	4

Notes to the Central Scale.

1. Early four class rates.
2. First ten class rates, using class 5 as base.
3. Following completion of horizontal increases and decreases in all areas.
4. Scale increased 30 percent. Case.

Superior Scale.

Date.	Class Rates in cents per 100 pounds.			Notes.
	1	4	10	
50 Miles.				
2 Nove, 1885	35	18	9	1
1 May, 1886	28	14	7	2
1 Dec, 1921	50	25	12.5	3
30 Mar, 1948	60	30	15	4
400 Miles.				
2 Nove, 1885	123	62	27.5	1
1 May, 1886	88	44	24	2
1 Dec, 1921	158	79	43	3
30 Mar, 1948	191	955	52	4
1000 Miles.				
2 Nov, 1885	228	114	52.5	1
1 May, 1886	160	80	51	2
1 Dec, 1921	287.5	144	91.5	3
30 Mar, 1948	348	174	111	4

Notes to Superior Scale.

1. First ten class rates.
2. Scale modified
3. Following completion of horizontal increases and decreases in all areas.
4. Scale increased. 30 pereent Case.

Prairie Scale.

Date.	Class Rates in cents per 100 pounds.			Notes.
	1	4	10	
50 Miles.				
7 May, 1881	24	12	-	1
July, 1883	35	18	-	2
15 Ap, 1885	35	18	9	3
1 June, 1902	30	15	8	4
7 May, 1903	32	17	8	4a
1 Sept, 1914	30	15	8	5
1 Dec, 1925	45	23	12	6
30 Mar, 1948	54.5	27.5	14.5	7
400 Miles.				
July, 1883	123	62	-	2
15 Apr, 1885	123	62	27.5	3
1 June, 1902	105	53	23	4
7 May, 1903	114	57	25	4a
1 Sept, 1914	105	53	23	5
1 Dec, 1921	158	80	35	6
30 Mar, 1948	191	96.5	42	7
1000 Miles.				
July, 1883	228	114	-	2
15 Apr, 1885	228	114	52.5	3
1 June, 1902	194	97	45	4
7 May, 1903	211	105	48	4a
1 Sept, 1914	194	97	45	5
1 Dec, 1921	291	146	68	6
30 Mar, 1948	352	176.5	82	7

Notes to Prairie Scale.

1. Early four class rates (Schreiber)
2. Tariff "X"
3. First ten class rates, based on Schreiber and using class four as base.
4. Manitoba Rates Agreement - Ontario and Manitoba.
4a. Manitoba Rates Agreement - Remainder of Prairie Region.
5. Western Rates Case
6. Following completion of horizontal increases and decreases in all areas.
7. Scale increased 30 percent Case.

Pacific Scale.

(Until 1 September, 1914, rates applicable between stations in this region were provided for by publishing inflated distances and using for these distances the rates applicable in the Prairie Scale)

Date.	Class Rates in cents per 100 pounds			Notes.
	1	4	10	
50 Miles.				
1 Sept, 1914	38	20	10	1
1 Dec, 1921	57	30	15	2
1 Aug, 1922	53	27	14	3
30 Mar, 1948	64	32.5	17	4
400 Miles.				
1 Sept, 1914	140	70	31	1
1 Dec, 1921	210	105	47	2
1 Aug, 1922	183	92	41	3
30 Mar, 1948	221	111	49.5	4
1000 Miles.				
1 Sept, 1914	242	121	59	1
1 Dec, 1921	363	182	87	2
1 Aug, 1922	327	164	78	3
30 Mar, 1948	396	197.5	94	4

Notes on Pacific Scale.

1. Western Rates Case
2. Following completion of horizontal increases and decreases in all areas.
3. Modification of Mountain Differential
4. Scale increased. 30 percent Case.

APPENDIX F.

Percentage increase in freight rates since 1st September, 1914, in various scales.

Date	Central	Prairie	Pacific	Notes.
1 Sept, 1914	100	100	100	1
1 Dec, 1915	105	100	100	2
5 Mar, 1918	121	115	110	3
12 Aug, 1918	151.5	125	125	4
13 Sept, 1920	212	169	169	5
1 Jan, 1921	204.5	162.5	162.5	6
1 Dec, 1921	189.5	150	150	7
1 Aug, 1922	189.5	150	132	8
30 Mar, 1948	229.5	181.5	159.5	9
Percentage of Increase	129.5%	81.5%	59.5%	

The above must be read in conjunction with Appendix E in order to get a true picture.

Notes.	Authority.
1.	Western Rates Case. B.R.C. General Order, 125
2.	Eastern Rates Case, B.R.C. General Order, 167
3.	15% Case B.R.C. General Order, 213
4.	25% Case. Order in Council. P.C. 1863
5.	40% Case B.R.C. General Order 308
6.	Jan 1921 Reduction Case, B.R.C. General Order, 308
7.	Dec 1921 Reduction Case, B.R.C. General Order, 350.
8.	Aug 1922 Reduction Case. B.R.C. General Order, 366
9.	30% Case B.R.C. General Order 70425

APPENDIX G.

Summary of the Address Presented by Premier Johnson of British Columbia at the Hearing of the Board of Transport Commissioners in Vancouver, November, 1948. 15% Case.

1. Consolidation of British Territories in North American was an Imperial, as well as a National policy. Such policy having two great objectives; first, the provision of a railway across the continent to develop trade; second, for rapid transportation of troops and war materials in case of war.

2. American expansion threatened to engulf the British territories to the West of Canada unless they were bound to Canada by the self-interests that would follow the lines of trade and commerce.

3. In order to achieve Confederation the Imperial Government made the Hudson's Bay Company lands lying between the Great Lakes and the Rocky Mountains available to Canada for the purpose of colonization and upon the distinct understanding that communication - by rail - would be established.

4. British Columbia's entry into Confederation was timed by the demand of Canada and the direction of the Imperial Government.

5. British Columbia asked for the immediate construction of a wagon road and was promised a railroad instead.

6. British Columbia's pact with the Dominion was in the nature of and had the force and effect of a treaty.

7. The agreement of this province for the construction of a railroad was with the Dominion Government and not with the Canadiam Pacific Railway Company.

8. There was no suggestion that any section of the Confederated provinces would be charged higher (freight) rates by reason of higher costs of construction or maintenance and it was presumed that any such additional costs would be borne by the Dominion as a whole.

9. Military considerations, as well as other objectives of a national or Imperial character, entered into determination - not by British Columbia, but by Ottawa - to adopt the route that necessitated the higher costs.

APPENDIX H.

Trends of Transport Regulation in the British Commonwealth.

Great Britain.

The Road and Rail Act of 1933 was passed to promote co-ordination of these forms of transport through attempted equalization of operating conditions and to afford protection to the rail carriers from the encroachment of highway transport services.

The Transport Act of 1947 is part of the Labour Government's programme of nationalization. It established the British Transport Commission as a public authority charged with the general duty of providing or securing the provision of an efficient, adequate, economical and properly integrated system of public inland transportation (other than transport by air) and port facilities... also....road transport.

Australia.

The problem of meeting competition between transport services in Australia has been undertaken by restrictive regulation in favour of existing rail carriers by each Austalian State. Several unsuccessful attempts have been made by the Commonwealth Government to establish a uniform programme which would place the transport industry on a sound basis. A similar co-operative effort by the Commonwealth Government for the standardization of all railway gauges in the country has been under consideration for many years. Railway and transit services throughout the Commonwealth are government-owned. Railway control is vested in commissioners who function in accordance with the regulations of the Railway Act of each state. There is one

commissioner each for the Commonwealth, Quennsland, New South Wales, South Australia, Western Australia and Tasmania, and three commissioners for Victoria.

Air Transport services are controlled by the Commonwealth Government which requires aircraft to be licensed.

South Africa.

Co-ordination of transport in the Union of South Africa has been achieved by legislative process carried out in accordance with the intent of the South Africa Act of 1909, and through measures designed by the Union Government to restrict and control, rather than prohibit, forms of transport that offer uneconomic competition to the State-owned and operated railways. The establishment of a Ministry of Transport, to include all forms of transportation, has been discussed for some time.

The Board of Transport consists of not more than three members appointed by the Governor-in-Council and the Minister of State, who is chairman.

Control of motor-carrier competition was obtained by the Motor Transportation Acts of 1930 and 1932.

Commercial air transportation has been brought under the effective control of the Government railways.

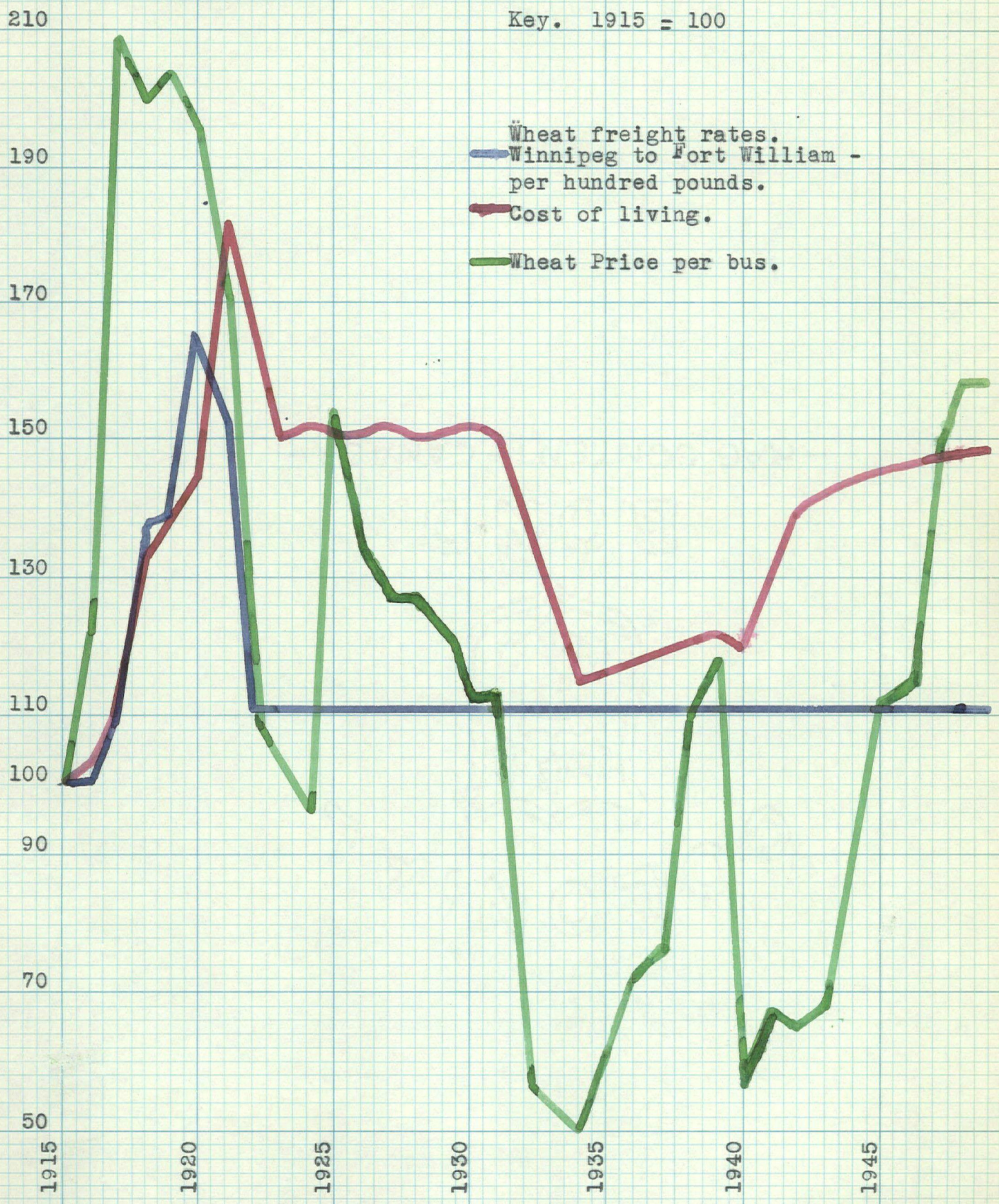
New Zealand.

Considerable progress has been made by the Government in developing a programme for the co-ordination of rail and highway transport, the controlling of all forms of transportation, and the consolidation of the control and regulation of transportation under

one administrative office.

Except for private companies operating coastal ships, taxicabs, and delivery trucks, and the municipal services, the Government of New Zealand has control of all forms of transport, either through licensing or government operation.

APPENDIX 1


Key. 1915 = 100
Wheat freight rates.
Winnipeg to Fort William - per hundred pounds.
Cost of living.
Wheat Price per bus.
210
190
170
150
130
110
100
90
70
50
1915
1920
1925
1930
1935
1940
1945

APPENDIX I (continued)

The rigidity of grain freight rates due to the overhead cost of the railway and to the statutory provisions of the Crow's Nest Pass Agreement mean that an important factor in the Western wheat farmers costs remain rigid and therefore his net return is succeptible to violent fluctuations which in cases of severe economic depression make for an almost intolerable burden. Perhaps some flexibility can be introduced by government action after this nature: the statutory rates on grain could be made to fluctuate with the price of wheat but the railway's revenue would remain the same where the government-set rate below that the railways had been guaranteed by government subsidy equal to the difference being paid to the railways. Where grain rates were above the statutory rate the government would recover the difference to offset the assistance given to the railways in bad years.

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