

LEGISLATIVE ASSEMBLY OF SASKATCHEWAN
Fourth Session – Tenth Legislature
17th Day

Friday, February 21, 1947.

The Assembly met at 3:00 o'clock p.m.
On the Orders of the Day.

RESOLUTIONS

RESOLUTION – OPPOSITION TO INCREASED FREIGHT RATES

Mr. D.M. Lazorko (Redberry) moved, seconded by Mr. A.P. Swallow (Yorkton):

That this Legislative Assembly go on record as being opposed to any increase in freight rates and certain rates for the carriage of Express Traffic within Canada, as requested by the Transportation Companies.

He said: When we look back into the early days and the development of our Western country, we see following the different explorers and fur-traders the development of the vast prairie and park land in the western parts of Canada spearheaded by the different railways that were built during that time. We all can see that the railways contributed more than anything else to the development of the Western Prairies, which today are one of the larger exporters of food products in the world. We can also see, when we look the situation over at the present time, that the railways are the real life-line of western Canada. We can see all the consumer goods coming in from the different ports and factories that we have within this country over the railways into western Canada and being spread out among the people and scattered all over these prairies. We can also see the products that we have here for export being collected at the different points and brought into centralized points and also taken out on our railways to our export market. This winter it has been proven to us by the tieup we had in this country only a few weeks ago that the railways are the lifeblood of the Canadian economy, and that the railways are life themselves to the people in western Canada.

On October 10th last, the Railway Association of Canada asked for a 30 per cent increase in freight rates. We maintain that the railways must prove the necessity of this increase. We maintain they must prove it by producing figures of cost and revenues asked for by the seven different provinces on behalf of the Canadian people because these people in Canada will be the ones who will pay the \$80 million estimated increase in rates if the 30 per cent is given to the railway company. These are the people that should have some say as to whether the increase is to be given or not. The railway companies should not accept their own statements as sufficient in the fact that Mr. D.G. Coleman, Chairman and President of the CPR made a statement in St. John, New Brunswick, November 26th last, part of which I quote:

That the railway rates should be based on what the traffic can afford to bear.

Here rises the question – can the traffic afford to bear

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a 30 per cent increase? And also who shall be the judge of what the traffic can afford to bear? I maintain that certainly not the people who admit, according to the reports from Ottawa on most important particulars on the 30 per cent increase in freight rates dated January 3rd and 4th, that \$21.3 million out of the estimated increase in revenue will be solely for the purpose of paying the dividends. The attitude of the railway companies from October 10th last up to the present time has been one of opposition to the request of the different provinces for breakdowns in their operating costs and revenues. They have admitted at the same time that the 30 per cent increase will mean some \$300,000 to the Company per day or in the neighborhood of \$7.5 million per month. The different provinces have asked for cost breakdowns with regard to revenue and expenditures as between East and West and also of the different services that the railways are giving. Mr. Carson, our counsel on behalf of the railways has said these request are unnecessary, irrelevant and many other different things.

Is there any way a company can maintain that an increase is necessary because they have to pay an increase in wages for their employees and that materials cost them a lot more than they have in the past and that new replacements also cost them considerably more than they have in the past? According to the Press, the railway companies claim that materials and wages are costing them over 40 per cent more than what they used to cost before. I have endeavored or tried to find out what the actual increase has been as far as railway employees are concerned out here in the West, and I find that they did get an increase rating from 27 up to 30 per cent and sometimes a little over that.

There is another item that enters into this statement. In the 30 years of development here in the West, which were at the same time the nearly stages of development of the railway companies here in the West, I believe that a lot of supervision was necessary before all the details were worked out so they could be efficient and give proper service to the people. But what we have seen happen is that the amount of supervision that was necessary then is still kept today, which, I maintain, is not necessary. Here we find a lot of people who are receiving much higher salaries than the average employee in any of the railway companies. I maintain that these railway companies are over-officered, if we may use that term, and if they do say that they are paying 40 per cent more for wages they may be correct. Further, if we take the ratio of the payroll to the operating expenses or operating revenue of the railway companies we find that in the case of the Canadian National from 1924 to 1943 the ratio has decreased by 3 per cent. In the case of the Canadian Pacific from 1926 to 1943 the decrease has been 7 per cent and in both cases they are employing less people today than they have been before.

When we look at the average haul we also see a big difference from what it used to be and what it is today. In years gone by, five men on a freight train hauled between 1,500 and 2,000 tons; the same five men today can haul between 6,000 and 7,000 tons. Another thing we see is that where diesel service has been instituted, they have done away with the firemen and the brakemen.

So let us take a look at their shops and divisional points across the prairie. They used to have wheel mounting trains in

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Edmonton, in Saskatoon, in Portage and Winnipeg. Today they have them only in Edmonton and Winnipeg. There has also been some talk of having only one in the future some place in Canada. When we look at the passenger service we see a similar picture. I believe lots of us have travelled between Saskatoon and Calgary and we may remember, in years gone by, we had division points in Saskatoon, Kindersley, Hannah and Calgary, where engines, and in many cases cars were changed. Today the same engine and the same cars go through without stopping from Saskatoon to Edmonton; there the picture is the same. Starting from Winnipeg we have divisional points at Rivers, Manitoba, Melville, Watrous, Biggar, Wainwright, Alberta and the last one in Edmonton. Today the same train and the same cars go through from Winnipeg to Edmonton without changing.

Further when we scan the pages of our daily press, or weeklies, it seems rather significant that all we can find in the press are arguments put up by the railway companies and their counsel with regard to their claim; their figures are submitted and so on. Someone is building up in the minds of the people a case for the Railway Association. Well let's take a look at the other picture, the other side of the picture here in the West. Let's look at the freight rates back up to 1920. Following the First World War, freight rates were increased considerably in the early '20s at the time when inflation was about at its highest in Canada, when our grain stock, consumer goods and wages were at about the same level or in some cases a little higher than they are today. We also remember the '30s, the calamity of the '30s when everything crashed all around us. The only thing that stood out like a sore thumb were the freight rates which didn't go down with the others. If we are to have a recession, or if we will be faced with a recession in the next few years to come, looking over the past record, I am afraid that we cannot expect any consideration as far as railway rates are concerned, especially in the western parts of this country.

So let's look into the future and see what the 30 per cent increase, if granted, will do to the economy and to the people in Canada and in particular in the West. The cost of living, the cost of production, will increase on all consumer goods, whether they will be coming in or going out from the Western Prairies. Agriculture in particular will have to, or will be able to for a very short time following such an increase, pass this increase on to the consumers whether they are in Canada or outside. But if you look a little farther ahead to the time when agriculture in Europe and other countries will be re-built, Canada and especially in western Canada, will have to absorb this increase itself. What will be the results? When we will be faced with the fact of having to absorb this cost ourselves, there are two things that are going to happen. If we absorb this cost, we will still be able to hold some of our markets for a time outside of this country. But when agriculture is faced with too heavy an overhead the tendency will be to go out of life and then whether we want to or not, whether we like it or not, we will lose our outside markets because we wouldn't have the goods to supply to the people outside of Canada, and one way or the other we will lose, sooner or later, lose our foreign markets and our foreign trade.

Then when we look at our natural resources, I maintain that

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mine operators in Estevan, or in any other field that may be developed in this province, will not be able to hold all their markets that they have outside of this province. Those that may be opened up in the years to come will not be in a position to obtain markets outside this province. When we look at our lumber industry we can see very well where our lumber, used for pulp and paper, will definitely lose the market that we have now outside of this province. When we look at our fish production which has been going on steadily for quite a number of years we can see the same picture; we will be losing our market for fish because of the high price that we will be forced to charge for this product. The same thing applies to many other things, possibly to a lesser degree, that we have in the province for export to other provinces or outside of the Dominion.

On the whole, I maintain that industry and business will suffer. They will be faced with a curtailment because the turnover, not in the price or the aggregate price of these goods but the turnover in the goods themselves, will be small all across the prairies, because the people will not have the extra money to put in to these goods and services which they require. From this standpoint industry and business will also suffer along with the rest of the people in western Canada.

I want to point out something that did happen along the same lines in years gone by. The fuel oil companies doing a large retail trade in Saskatchewan, Alberta, Manitoba and many of the other provinces in years gone by have had to pay as much as \$500 and \$600 for hauling a carload of fuel from the Wainwright district into Borden, my own home town. Because of a similar condition in every other town all across this province and other provinces the companies turned to distributing their products to the people of the West by bus and not by rail. There the railway did kill the goose that had been laying for them a sizeable golden egg.

An alarming thing, Mr. Speaker, is that the increasing freight rates will effect western production as a whole. I want to quote the late Sir Edward Beatty who was a president of the CPR for a long time, from a statement which he made to May of 1934. I quote in part:

The prosperity of this Company depends upon the prosperity of agriculture and therefore western Canada, from which territory about 60 per cent of this prosperity is normally derived.

I believe Sir Edward Beatty was right when he said that and I believe that that same statement is still good today.

I want also to quote another statement of Sir Edward Beatty made on the 5th of March 1935, when he was speaking to the Board of Trade here in Regina. And I quote:

There are some who suggest that the solution for the railway problem is to be found in an increase in freight rates. It is true that our wages are among the lowest in the world as I have already said and in some cases they may be unnecessarily low. The freight rate structure is, however, a complex affair and radical changes in it may produce unfortunate effects. A considerable increase in the rates, and I say 30 per cent is a considerable increase, from any major type of

traffic, I suggest the grains are a major type of traffic in western Canada, could scarcely fail to be damaging to the national interest. For my part, I should regret to see this tried until everything possible has been done to eliminate waste in our transportation system.

I want to add a little more along similar lines. I want to add this – in western Canada we have no water routes, we have no direct transportation that amounts to much as we have in other parts of Canada. We are a long way from water routes on the one side or the other. We are just about in the middle. Our roads are not such that truck transportation is advisable or is beneficial enough, or profitable enough for the people to go into this type of transportation. The railways have been and still are the main transportation system in this part of the country. While an increase in the freight rates here in the West will hold, I maintain that in the East where they are close to water routes, where their road system is short and compact, where truck competition is very, very keen, an increase in freight rates will not hold. It will be whittled away as has happened in the past. I maintain that instead of being a help all across the Dominion, if freight rates are increased the western part of this country will be discriminated against much more in the freight rate structure that we have in the Dominion.

While speaking of competition, it seems very significant, Mr. Speaker, that the railways have not asked for an increase in passenger traffic rates. That to me is very significant because there they do have competition and I believe in some cases very serious competition from cars, from buses and from travel by air. It is in only the thing in which there is no competition that they can make the rate stick if a grant is increased.

Now, looking at the daily life of the people in the West as a whole, we can see whether we require services of the school, of the hospital, of modern conveniences, such as power. Whether we require services from hamlets, villages, towns or cities, whether we are farmer, teacher, doctor, business man or manufacturer, we are daily paying because of the disadvantages that we are up against, the vast distances in the western part of our country. We have been paying for it from the early days of settlement and development and we are still paying for it today. I maintain that the 30 per cent increase in freight rates will affect every man, woman and child, no matter what walk of life they are in. If there is anything we want to do to put the Canadian economy and especially western economy, on a toboggan downhill slide the best thing to do is to grant a horizontal 30 per cent increase in freight rates.

In conclusion, I want to make this remark – the service which the railways have been able to do in this part of the country and the rest of the Dominion, this service which has built up the West and Canada as a whole, which of late years has come to be an important factor in world affairs and has come to be a bread basket for the unfortunate peoples of the world, this same service can and will, if allowed, break what it has built up in the past. Therefore, Mr. Speaker, I move this Resolution.

Mr. A.P. Swallow (Yorkton): — Mr. Speaker, in rising to second this Resolution, so ably introduced by the Hon. Member for Redberry, protesting against the 30 per cent increase in freight rates, I wish to

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give some facts to show just how it would effect the pocket-books of the people of Saskatchewan. We ought to remember that this increase will effect the prices of practically everything we consume and it will naturally affect the standard of living of citizens. It is estimated that at least 90 per cent of the goods that we use come from eastern Canada. We must realize the very unfair rates we are paying the West today as compared to the rates in other parts of Canada. This has been very much stressed by the Hon. Member for Redberry.

I am going to give just a few items. Figures are not very interesting so I will not give any more than I can help. These items are things we all use practically all the time. Take window glass for example, shipped from Montreal to Vancouver, the rate is \$1; window glass from Montreal to Calgary which is approximately 600 miles shorter in haul is just double, \$1.98. Now that one item alone will give us an idea of the unfairness and discrimination that we suffer. We will pay twice as much on that article, in Saskatchewan, than is paid by other provinces. Take paint – the rate is \$1.25, compared to \$1.98; boots and shoes shipped from Montreal to Vancouver – the rate is \$2 and to Calgary is \$3.03; hardware – \$1.25 compared with \$1.98 and canned goods – \$1.50 compared with \$1.98. Now the cost of shipping, it costs 30 per cent more to ship a bag of cement from Regina to Rosthern than it would to ship that same bag of cement the same distance in Ontario. It would cost 70 per cent more to ship lumber the same distance. You can imagine what this will mean in building a home: What this discrimination will mean to our returned men, the returned men of Saskatchewan in re-establishing themselves compared with the men of Ontario or other parts of Canada. Those few figures show the definite discrimination between the rates of the East and the West. Even if it was considered that the companies are entitled to this increase, which has not been admitted, the 30 per cent right across the board would still be very unfair, on top of these rates that I have quoted.

It is hard to get an estimate of what this 30 per cent will cost to the various industries in the province and just what it will cost the farmers in their purchases of machinery per year. There has not been any definite estimate made but I have been assured that it will cost the western farmers up into the hundreds of thousands of dollars, possibly into the millions on shipment of their machinery. Giving two items, it will cost \$17 advance on an eight foot tiller; it will cost \$12 on a double disc drill; the average increase on a car will be \$36. It will probably, as estimated, cost the purchasers of cars in Saskatchewan in this next year a half a million dollars.

Now some industries have recommended an equalization of rates. For instance, cars made and shipped from Windsor range from \$127 up to \$183 through Canada. It is stated that an equalized rate would be \$65. Now I am not recommending an equalized rate for goods shipped the same amount of miles in any part of Canada.

We have the figures available in one industry that we are all interested in and that is the dairy industry. They will be very seriously affected and especially in Saskatchewan. The eastern province and British Columbia can consume practically all the dairy products that they produce. We in Saskatchewan export from 60 to 70 per cent of our butter. We export approximately 14,000 tons of butter each year. I could imagine when I

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go into the restaurants down in the city that we export more than that, Mr. Speaker, but that is a lot of butter. Now it is not only the freight on the butter we export but also on the supplies used in the manufacture of butter. At the present time it is costing the dairy industry approximately 4 1/2 cents per pound. If this 30 per cent increase goes into effect, it will cost them another 1 1/3 cent which will mean that a total cost, a total transportation cost will be approximately 5 2/3 cents per pound. That amounts to \$320,000 per year to the dairy industry of Saskatchewan. Now this increase if it goes into effect may have the result of cutting down the production of butter in Saskatchewan. If it does, it means that Ontario will have to divert a lot of their products to the manufacture of butter, from cheese to butter because they purchase butter from us today. That will mean then a greater reduction in the manufacture of cheese which is so important to us all over Canada.

It has been estimated that this 30 per cent increase will increase the general cost of living 5 per cent. I say these are only estimates, Mr. Speaker. Now it will give the housewives some idea of the increase when one firm alone in Regina had estimated that it will cost them \$20,000 for canned goods that are shipped into this city.

This province, as we all know, is hoping to complete an agreement with the Dominion Government whereby the province will receive a subsidy of approximately \$15.25 million in consideration of the three fields of taxation. As I say it cannot be estimated what this will cost the Province of Saskatchewan but, it has been estimated that we will pay out, from the pockets of the people of Saskatchewan, a similar amount to that which we will receive in the subsidy. Now this we all agree will be a very great blow to the economy of the west.

The argument that the companies need this increase on account of increased costs of labor and other costs does not wash. The Hon. Member for Redberry has mentioned that and I think we can all remember not many years ago when great engines were drawing or hauling from 20 to 30 cars. Today it is nothing, not a new sight to see them hauling 100 cars, and this takes no greater crew. The maximum load of butter some time ago was 20,000 pounds per car. In 1942 an order was issued by the transport controller that no car less than 40,000 pounds would be loaded. Now this meant a greater saving or a greater gain to the companies at no greater cost; the same crew drew those cars. The same thing does apply in the workshop. With more efficient machines, they are doing much more work with less men. Of course, this does apply to all industry in Canada.

We are realizing more, I think, than ever, Mr. Speaker, that there are definite fields for private ownership and there are also definite fields for public ownership but there are services so important to the welfare of human beings that should not be privately owned. I wonder what we would think if our education system was in the hands of private ownership or health services or hospitalization, our highways or our postal system.

Now we are told that we could not exist without our railway system. We are told that we are absolutely dependent upon it for existence, for the transport of our great wealth from one part of Canada to another. Yet one of the greatest monopolies we have today in Canada is the CPR and it is controlled by a comparative small group . . . The Hon. Minister says the

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CNR is not much better. We do know, and I think he knows, that the rates are controlled by a Board of Transport Commissioners. They are appointed by a government I believe and without discrimination also. They are controlled by a group whose principles are pretty well expressed in the words of D.G. Coleman and this was quoted by the Hon. Member for Redberry but it is worth repeating:

That railway rates should be based on what the traffic can afford to bear.

That is typically the principles of free enterprise. If competition is too keen in the East, then the East can soak the West to make up for it; that is what is being done today.

Now in a conference with the Board of Transport Commissioners, Mr. Ralston representing one of the eastern provinces called the attention of the Board to one item in the statement of the CPR — \$21 million for dividends to shareholders. That means that about one-quarter of the amount that will be collected in this 30 per cent increase will be paid in dividends to shareholders and I think in many cases, wealthy shareholders. Now if the corner grocery store, Mr. Speaker, is holding us up in prices, we can build another store on the other corner and the competition will compel him to ask reasonable prices, but if a railway is holding us up, there doesn't seem to be anything we can do about it. The old saying that competition is the life of trade doesn't seem to work today in our railways. Now I hope that the time will come in the not too distant future when we will realize that the Canadian Pacific Railway has too great a monopoly to leave in the hands of private enterprise and it will become a publicly owned service to serve the people of Canada as our Coastal Service does today. Mr. Speaker, I have great pleasure in seconding the Resolution.

Hon. L.F. McIntosh (Minister of Co-operation and Co-operative Development): — I feel that the mover and the seconder, the Hon. Members for Redberry and Yorkton have dealt very effectively with the economic repercussions that a 30 per cent increase in freight rates would have on the economy of western Canada, so I don't propose to attempt to elaborate on the statements that have been made by the Messrs. mentioned. I think it is just as well to point out to this House, for the information of the Members, the actions taken by the Government of Saskatchewan to protect the economy of the people of this province insofar as the overall question of transportation rates is concerned.

Under date of October 9th last year, the Railway Associations of Canada, on behalf of their members, submitted an application to the Board of Transport Commissioners for a 30 per cent horizontal increase in freight rates. Shortly thereafter, the lake freight shippers submitted an application to the same body for a 30 per cent increase in lake freight rates. Some adjustments also were asked for in connection with express tolls. The Province of Saskatchewan immediately made application or filed application with the Transport Board on behalf of the people of Saskatchewan opposing this increase and on October 28th the Government called a conference of the business interests of this province representing producer, consumer, distributor and manufacturer.

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At that all-day conference, it was suggested by these people that they approve of the setting up of a technical committee to take care of the case on behalf of the people of the province and also recommended that an Advisory Committee be named. The technical committee, as we know is headed by Dr. George Britnell, University of Saskatchewan, Saskatoon. Mr. W. Cronkite and Professor Probot from that institution also are serving on this committee. Because it was generally felt that this was a matter in which an accountant could play a very important part, the Government of the Province of Saskatchewan in co-operation with the Government of Manitoba secured the services of Mr. Walter MacDonald of Mellow-MacDonald, Chartered Accountants, Winnipeg, as their accountant.

Those named to the Advisory Committee consisted of the President of the Associated Boards of Trade for Saskatchewan and of the Canadian Manufacturers Association, Saskatchewan Co-operative Producers, United Farmers of Canada. The President of the Saskatchewan Co-operative Creamery Association was also represented on that Committee. The Retail Merchants' Association and the chairman of the Saskatchewan Executive of Trades and Labour Council and also the President of the Local Council of Women were on the Advisory Committee. On the 13th of November, under the Government of the Province of Alberta, an all-day conference of the four western provinces for the purpose of co-ordinating our opposition in connection with the freight rate question was held. I think the Hon. Members of the House will appreciate that the problems affecting the Province of British Columbia in the field of transportation are to some extent different from those affecting the prairie provinces. However, as a result of the conference, we decided on the course of co-ordination. A little later on, that co-ordination was extended to embrace the Maritime Provinces and we found seven of the nine provinces in Canada co-ordinated in opposition to a 30 per cent increase in freight rates.

As we got further into this question and gained a broader appreciation of the many complications involved, we felt the need for a transportation economist. We were successful in Saskatchewan in securing the services of Dr. W.A. Currie, University of Toronto, who is a Transportation Economist. He spent several days in our province, assisted the Province of Manitoba, and Alberta as well. I might say also, Mr. Speaker, that we were successful in securing the services of Major M.A. MacPherson, K.C. to plead the case on behalf of the people of the Province of Saskatchewan.

It is rather significant to note that two of the provinces of Canada do not appear to be represented before the Board of Transport Commission. It is rather significant to note that seven of the nine provinces feel very definitely that this is of economic importance and significance to the people of the provinces which they represent. I wonder if it is not because of truck and water competition in the Provinces of Quebec and Ontario that they do not see fit to be represented before the Transport Board on this all-important question. It is largely because of that competition that we feel that any increase that may be granted will fall heavily on the people of these three western provinces.

The Board of Transport Commissioners initially decided to hear the case of the railway companies on January 8th and the case of the lake freight shippers on January 20th. Applications

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made before the Commissioners got a postponement until February 11th, and on February 11th the hearings got underway in the city of Ottawa. The seven provinces are very interested in regional hearings and have so informed the Board of Transport Commission. Up to the moment, there has been no attention given by that Board in connection with regional hearings. In order that the seven provinces may be in a very sound position to present arguments on behalf of the people that they represent, they asked the Railway Companies through the Board of Transport Commissioners to have certain comparative rates found. Up to the present we are still waiting for this very essential information from the Railway Companies. Judging from the information that one can believe coming from the Press and also from the competence of the evidence submitted before the Board of Transport Commissioners, I think that our people in the Province of Saskatchewan, can rest assured that their case is in very excellent hands. Everything possible that can be done will be done by the Technical Committee representing the Provinces of Saskatchewan, Manitoba, Alberta, British Columbia and the Maritimes, to protect the economic interest of their people in relationship to the problems of transportation. It gives me a great deal of pleasure to support this Resolution, Mr. Speaker. While I would like to have seen the Resolution make mention of the desirability of regional hearings, nevertheless, I believe, judging from what the mover and seconder said, that that thought was in their minds. I take great pleasure, Mr. Speaker, in supporting the Resolution.

Mr. A.T. Procter (Moosomin): — Mr. Speaker, it is not my intention to take up a great amount of the time of the House. I can assure the mover and the seconder that as far as the opinions of this group are concerned, they are on very sound ground and they always will be on sound ground with what they've done in connection with this Resolution; that is, they've taken the plank out of the platform of the Liberal Party of the Province of Saskatchewan and when they do that, of course, we all recognize that they're on the right track and should be supported. However, Sir, . . . Oh yes, the pride of the Liberal Party of Saskatchewan, as far as it can, will implement it and has implemented it. However, I prefer to support this Resolution on different grounds from many of those that have been urged.

I think that there are two or three things that everybody will concede. First, that we can't have a 30 per cent increase in freight rates without this very seriously affecting the economic standards of the people, particularly of the West. I think, too, that everybody will agree that the railway companies are a necessity and should have fair treatment. As to the necessity of a freight rate increase of 30 per cent, that is a thing where we do not agree with the applications. It seems to me, Sir, that this whole problem since the inception of our troubles with railway rates has been a lot to do with getting on to a wrong basis. An examination of the history of the difficulties the West has had with freight rates and I do not exclude the government-owned railway any more than the CPR, I do not agree with the Member for Yorkton when he suggests that the Canadian Pacific Railway is the main party desiring the increase. I think both railroads desire this increase and I think that both of them, both the government-owned and the CPR, are equally in cahoots in applying for the increase.

Mr. Douglas: — Who do you think would be responsible for the action

taken by the Government?

Mr. Proctor: — Well, the management of the railway. My hon. friend the Premier who has just asked me that question, seeks to show as part of his political belief that governments get into these positions and then treat the people differently to anybody else. Well, I think that the clearest instance is right now before us, Sir. If my hon. friend, the Premier, had everything in the hands of the Government of the province or of the Dominion and had his party as the Government of the Dominion, we the common people of Saskatchewan would be getting just exactly the same treatment from those government corporations that they would set up as we are now getting from our own railroad, the CNR. However, I don't want to introduce . . .

Mr. Douglas: — Does he imply then that the CNR can make this application for an increase without the consent of the Government to whom it is responsible?

Mr. Proctor: — I think that the CNR is in exactly the same position as any Crown corporation or anything else that you set up in this province. If you set up a management to run a corporation and that corporation finds it is going into the hole and knows that the directors of that corporation are going to be blamed for it, then they will very soon go to you, Sir, as Premier and say here are a whole lot of very good reasons on the face of them why our prices should be increased and that's just what will happen with your Government's corporations and with your socialistic Government if you ever get it, God forbid.

Mr. Douglas: — Well, it'll have to show better reasons than the CNR have shown to date for any reason for any increase.

Mr. Proctor: — Well, there I agree with you. But I say that you have a typical instance of what happens with your socialistic and your government corporations. Now the corporations set up by a socialist government are no different to the corporations set up by the old line parties, the CNR to run the railroad, and you will come to exactly the same results with them too. However, that is taking me away from the line that I was trying to develop, Mr. Speaker.

Mr. Douglas: — But I'm glad it's on record.

Mr. Proctor: — I'm very glad to have it on record, Mr. Premier, I'm very glad. I hope that the people of this province will take note of what we've both said because it is the clearest evidence that they can hope for nothing from the period when the state gets control of all our railroads and all our other enterprises. All they will be doing is being soaked a little more for what they get.

Mr. Douglas: — They are being soaked plenty now.

Mr. Proctor: — Yes, they are being soaked now and they will be soaked

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worse then, because there will be more inefficiency and less competition. Now, Mr. Speaker, if I may go back to the line I was trying to develop. In the early days of the history of Canada, the railroad development was in the East and there were two at that time, great methods by which transportation could take place for any distance. One was the water transportation and the other the railroad transportation to the extent that it had been developed. Now, what happened with the increasing railway development was that water transportation being cheaper than railroad transportation, railway freight rates in the East were lowered to meet the water cost of transportation. When the railways were extended out to the West where we had no water competition, the same principle was carried forward out into the West. Now, it seems to me that there, basically, was the error in the whole freight rate structure. I cannot see why it should be that because a certain portion of this country has been favored by water transportation as a competition to railway transportation, another portion of the country where there is no competition between the two forms of transportation, should pay a higher freight rate. It seems to my, shall I say, limited understanding that a freight rate should be set on a schedule that has some regard to the cost of giving the service and should not be based on the fact that because there is competition in that service it should be lower and because there is no competition in that service it should be higher. Now that principle was not only carried on to the disadvantage of the West in regard to freight rates, but when we came to the Prairies we find, and it is now I think conceded by the railway freight experts themselves, that the cheapest movement of freight exists over the broad plains of western Canada. In other words, for a given 500 miles from Regina east, it is cheaper to move freight than it is from a point east of Port William. In other words, Mr. Speaker, the West again got, to use the sign expression, “soaked” in the freight rate structure.

Now, I admit that there is some basis, perhaps for the argument that the railway freightmen use, that different types of freight should bear different grades. I think the usual example that they use is that if the carload of cement had to bear the same freight rate structure as the carload of silk stockings it would not be possible to ship cement at all because of the cost of transportation. That would seem to me to be one of the proper basic things that should be considered, namely, the bulk, the weight and the value of the commodity shipped. But, while I admit that that is perhaps the proper principle on which to set up a freight rate structure, I do not admit that because there is competition between water and competition between the railroads that that should be a basis of a properly drawn up freight rate structure. Neither do I admit, Sir, as you know, the practice that has grown into the freight rate system that there is a lower freight rate even here in the West to a point served by two competitive railroads. The basic rate, I suggest, should be the one on which I have already based my thesis – that the service rendered, the bulk value and so on are proper things to take into consideration. The mere fact that the small town of Moosomin, from which I come from, is served by one railroad, and that 20 miles south of us the town is served by two railroads, and that the town 20 miles south, therefore, should have a lower freight rate than the one in which I am fortunate enough to live, does not seem to me a sound proper basis at all.

Now coupled with that and I don't profess to be a freight

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rate expert or anything of that kind, Mr. Speaker, but the little study that I have given to this matter in both periods when I have had something to do with the transportation system of this province, convinced me of two things, first, that there is no sound basis in logic or reason for the discriminatory freight rate charged to the West. I think, if my recollection, and I am quoting from memory, serves me right, the average freight rate, if there is such a thing, is about 26 per cent higher in the western provinces than it is in the eastern provinces and that, in spite of the fact that the actual cost of the service delivered per mile is cheaper in the West than in the East. Now if there must be (I think that we all concede that we must have railroads) but if there must be an increase in freight rates then I suggest that the whole question should be gone into.

The Board of Transport Commissioners and again my hon. friend, the Premier, raised the question here about these government boards, the Board of Railway Commissioners is an independent Board. True, they are appointed by the Government, but they are appointed in exactly the same way as any of his boards under his socialist state would be appointed. They have admitted and admit today that the freight rates are discriminatory: they don't seek to deny it. They say that the principle of the discriminatory freight rates has been accepted and must be accepted if the railroads are to be permitted to carry on business at all. Now, for myself, I am not prepared to accept that proposition. These inequalities and inequities crept into our freight rates, but now the time has come with his request for such an enormous increase as 30 per cent with all that it means to the people of western Canada particularly for the whole question to be examined and a sound and economic freight rate structure imposed on the whole country. I can see no reason why it should be that we, out here in the West, should bear that 26 per cent differential; why we out here in the West should bear this increased rate because we have no water competition. There is no reason why certain localities in the West should bear a different rate, although equally distant from the point of shipment, merely because there are two competitive railroads.

Now, Sir, there is another question in connection with that that has been touched on rather lightly by some of the speakers and that is the question of the truck transportation in the province, in all the western provinces. May I say this to you, that I do not think that the competition of the trucks can be so lightly dismissed. In the first place, I suggest that had the railway companies exercised foresight, a great deal of the necessity for the now asked for freight increase could have been avoided by the railways themselves handling certain of the short-haul freight and express by their truck system, subsidiary to the railway system. It could have been similar with the express, but the railway companies, shall I say, slept at the switch until that business got into other hands.

There is another danger that I now want to point out in this House. From time to time, there has been an attempt to bring transportation by truck under a national board of transport commissioners. In effect, the idea would be to have exactly the same sort of control, particularly on interprovincial freight by truck as is now imposed on the railway freight statutes, by the Board of Railway Commissioners. Now, Mr. Speaker, we in this province have seen that by virtue of the fact that we provincially retained control of our truck system, we have received certain benefits in the breaking of that

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discriminatory freight rate. I remember that when I was Minister of Highways we had to haul some gravel from north of Regina down on this Soo Line and we were able to get the special rate for that freight from the railway. True, they based it on just a very slight variation to what it would have cost to haul it by truck, but the reason for that was that because there was competition by a truck, they were allowed to quote a special rate that otherwise would not have applied. If there is to be a differential allowed in the East because of truck and water competition to the railroad, I think that the time has now come when we in the West should be prepared to ask for and to receive the removal of that differential.

I think too, that insofar as we in the West are concerned, there has not yet been established any ground for the necessity of the railroad to have this increase. There are today many economies which can be put in by the railroads. When the railroads themselves have gone over their structure and have made every possible economy along the lines that I have suggested, when they can satisfy the people of Canada and the different provinces of the things that they have done, then there might be some ground for their application. But so long as the railroads take the attitude that they have taken, that they will not attempt first to make all those savings that could be made, that they will not explore these other means of carrying our goods at a cheaper rate, that they will not come freely and frankly and lay down before the people of Canada and our representatives a schedule which will show the necessity for an increase and will enable us to determine where these excessive costs are coming from; until that day I say that we are justified in refusing to accept their application, in refusing to support their application and in taking the attitude that their application is untimely, unnecessary and not in the best interest of the people.

Therefore, Mr. Speaker, I shall support the Resolution, but may I just say one word in closing which I almost overlooked, mentioned by my hon. friend over here from Yorkton again, and that is that this application has shown one of the evils of private ownership. I've dealt with that in speaking to the Premier across the floor of this House to a certain extent but let me point out to you, Sir, that here we have a utility owned and operated by the people of Canada. We have a utility owned and operated by private enterprise. We find that both are joining in this application, both pressing for this increase, both of one mind that the poor old consumer should be soaked for their benefit, in the one case for the making of profits, and in the other case, I presume that it is because of the fact that being government owned and operated and owned by the state they consider that we the consumers should not object to pay to them the money. But for me, 30 per cent to the CNR is not a bit different from 30 per cent paid to the CPR and you have the example of exactly what is going to happen if my hon. friends ever do succeed in socializing this country as they talk about.

Mr. Valleau: — Mr. Speaker, before the Hon. Member sits down . . .

Mr. Proctor: — It does surely.

Mr. Valleau: — Isn't that statement in reverse . . . CNR and CPR.

Mr. Proctor: — What do you men, I don't

understand?

Mr. Valteau: — The Hon. Member said that money paid to the CNR is no different than money paid to the CPR.

Mr. Proctor: — No, I mean that it comes out of my pocket and interferes with my personal aims and personal necessities to the same extent whether it went to the CNR or whether it went to the CPR. In other words, every dollar of that increase in freight rates that I give to either railroad leaves \$1 less for me to support my private enterprises and that when you have got this country socialized as you would like to have, but which you never will have, then I say to you that the people will be in the same position, then all their money will be gone, funnelled into your socialistic enterprises, none left for them.

Some Hon. Members: — Hear, hear!

Mr. Arthurs: — He said that the CNR wasn't as efficient as a privately owned company. I would like him to clear that point up.

Mr. Proctor: — I didn't say that; I said that both of them joined in the application. They joined and either one is just exactly the same as the other.

Mr. Wellbelove: — Would there have been any difference in the choice?

Mr. Proctor: — Well, actually, Mr. Speaker, I think that the CNR . . .

Hon. T.C. Douglas (Premier): — I have a question to do with the latter part of the Hon. Member for Moosomin's remarks. I was interested in the fact that the Hon. Member for Moosomin said that this Resolution was exactly along the policy of the Liberal Party. I think that's extremely interesting. Is the Liberal Party in Saskatchewan telling us what they will do about freight rates where they have no power to do anything about freight rates but in Ottawa they are in power and they are not doing anything about freight rates?

Mr. Proctor: — That's all right. I have no objection to that as long as I can answer it.

Mr. Douglas: — Mr. Speaker, I am discussing the Resolution. I am discussing the Resolution and the statement made by the Hon. Member about it, that it is a plank of the platform of the Liberal Party in this province. I am pointing out the inconsistency of a provincial party which can do nothing about freight rates, having a plank, saying that they are in favor of reducing freight rates when they are in power Federally where they can do something about freight rates and are actually at the present time, not only allowing hearings, asking for an increase in freight rates but are themselves a party to asking for these freight rates. Now my hon. friend . . .

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Mr. Proctor: — Mr. Speaker, I don't know whether my hon. friend, the Premier, is asking me to reply to something he is saying or whether he is speaking on the Resolution.

Mr. Douglas: — I am speaking on the Resolution.

Mr. Proctor: — Oh! Well that is alright then. I wish you had spoken before I did.

Mr. Douglas: — Now, Mr. Speaker, neither my hon. friend nor his Party can wash their hands like Pilot with reference to this matter of freight rates. The Federal Government which my hon. friend supports has two distinct responsibilities with reference to this matter of freight rates. The first is that the Canadian National Railway is a government-owned railway. Now my hon. friend says that this government-owned railway in cahoots, is the term he uses I believe, with the privately-owned railway are now asking to get some more money out of the consumer's pocket. He says that if you have a lot of government ownership (what he calls socialistic enterprises, although most of you will be interested to know that CNR is a socialistic enterprise which makes Mr. King a socialist) these socialistic enterprises would be doing just the same — coming along and trying to get something out of people's pockets. May I point out to my hon. friend what the difference is. The difference lies here, the Government at Ottawa does own a national railway but that nationally owned railway apparently is not controlled and directed by the elected representatives of the people of Canada. My friend keeps referring to them as they . . .

Mr. Proctor: — Mr. Speaker, may I ask the hon. gentleman a question? Does my hon. friend suggest that the government interfere with the Board of Transport Commissioners in control of either railroad or is he trying to suggest that in the socialistic enterprise there will be no Board independent of the government but everything will be in the hands of the government?

Mr. Douglas: — I am making it very clear, Mr. Speaker, that we believe in economic democracy. If a railway or any other public enterprise is going to be paid for by the people and maintained and operated by the people then the policy of that railroad or whatever that enterprise is should be laid down by the elected representatives of the people. The Canadian National Railway, a creature of the Government of Canada, financed and paid for by the people of Canada ought not to be allowed to embark on a policy which is contrary to the best interests of the people of Canada. If the Canadian Government agreed to the Canadian National Railway making application for this 30 per cent, then it stands condemned for so doing. If the Canadian National Railway makes this application without any consultation with the Government of Canada, then the people of Canada might as well recognize now that their elected representatives and the Executive Council of Canada haven't any control over the railway which the people of Canada think they own.

The second thing is, and here again the responsibility lies

right at the door of my hon. friend's friends, that you have a Board of Transport Commissioners. They have a definite function as he has said himself. There are two things in Canada which control, to some extent, freight rates in order to prevent discrimination and in order to prevent unfair freight rates. The one, as my friend has said, is competition. Competition is particularly effective in the East where you have water routes and where you have bus and truck traffic. The water routes are effective as a competitive factor in British Columbia but here on the Prairies, especially in long hauls, there is no competitive factor to keep rates down to a reasonable level and therefore on the Prairies we are completely at the mercy of the other factor which is supposed to keep freight rates down to a reasonable level and that is the Board of Transport Commissioners.

A study of the rates over the last 25 years will show anyone that the Board of Transport Commissioners has not had that effect. While in eastern Canada rates have come down steadily to meet competition, rates in western Canada have not come down proportionately with the result that even without a 30 per cent increase which is being asked for at the present moment, we are paying far too large a share of the revenues which are collected by both the railways. Therefore, any government which sets up a Board of Transport Commissioners who take as their basic premise what my hon. friend has said, namely that discriminatory rates are inevitable, it is very well time that a Board was set up that had some other basic premise, namely, that wherever competition is not operating to keep rates down to a reasonable level, then the Board of Transport Commissioners must step in and see that rates are kept up and that they are reduced in those areas where there is no competition on a comparable level with the areas where there is competition. And when my hon. friend tries to throw the blame on the fact that one of the railways is a government-owned railway and that the more you have government-ownership, the more you are going to have this sort of thing, he is not talking about the kind of government-ownership we have in mind at all. He is talking about the kind of government-ownership in which the government has lost control of what it is supposed to own. I will assure him that any type of society in which the people themselves own and control some of the principal means of production and distribution, the people themselves will see that they are controlled in the interests of the people, not doing as is being done by the CNR at the present time, something which is contrary to the best interests of the people who are supposed to own the railroad.

Mr. G.H. Danielson (Arm River): — It is a very interesting thing to watch and listen to some of the explanations that are made in regard to certain interpretations that my hon. friend has placed in them, but actual facts become apparent. The fact of the matter is, Mr. Speaker, that there are two national enterprises in the railway system of Canada, the greatest in the world. They have been built up through the years by the people of Canada to some extent by public grants and public assistance, which was inevitable during the early days perhaps. I don't want to discuss the merits or demerits of that particular past at all. Back in 1918 or 1919 the Canadian National Railway was taken over by the Government of Canada. Why were they taken over? They were taken over because they went bankrupt, and that they were necessary to the welfare of the people of Canada. There had to be somebody to take hold and control of this enterprise, this great transportation system. As a matter of fact there were

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several systems, Mr. Speaker, welded into one, and that was done very, very successfully.

Mr. Williams: — Would the Member agree that the Canadian National Railway that he has just spoken of back in 1918-1919, would he agree that they went bankrupt at that time, or before that time, due to private enterprise?

Mr. Danielson: — Well, Mr. Speaker, I don't see very much distinction. The only difference is this, Mr. Speaker, if the woollen factory or shoe factory or some other socialistic enterprise in this province goes bankrupt, so long as they have competition they can't very well put up their prices for goods that they produce but if the day ever comes, of course, when they do control the market, well, all they have to do is jack up the price.

Now the Canadian National Railway with their Canadian Northern, the Grand Trunk and different branch lines that were in existence previous to 1919, all were bankrupt more or less. Then they went time after time – and that is no news to my hon. friend; he's a railroad man; he knows that; he knows they pay good wages to their employees to carry on, which they had to do to give us service – they went time after time to the Dominion of Canada, to the taxpayers of Canada, the Dominion Government. They asked for certain grants to meet that expense and everything else in order to carry on. Sure, and there were guaranteed bonds issued, guaranteed by the Dominion of Canada as trustee of the people of Canada which, they had, Mr. Speaker, to implement the obligations which these bonds entailed and the interest on these bonds. Now we all know that one year, I think, they got \$96 million, but that was shortly after they had taken over the system. By reorganization and proper business methods brought into effect by the President of the Canadian National Railroad after the last war, the system was built up to one of the most profitable and most efficient and extensive systems in the world, and it is a credit to Canada today. But the Board that operates that system is not a government board in that sense of the word. It is not headed by any Cabinet Minister or by any Deputy Minister or anybody else. It is an independent board set up by the Parliament of Canada to operate that particular enterprise, and as I said, I think merit is being the guide in advancing the man in that, on that particular board, that means that the fellow that has proven himself to be efficient and a good manager and a good executive has finally attained the merit of heading that Board.

Now then it is not so very long ago, Mr. Speaker, since the railway men in Canada – I'm not going to criticize them, I'm not going to enter into that phase of it at all, whether their demand for substantial wage increase was justified or not, I'm going to my hon. friend's statement yesterday on another part of the discussion, when he said here, that labor doesn't strike, or threaten to strike or demand increases in wages without being absolutely necessary. Well, I'm going to take that as being matter of fact. I'm not going to question it at all, but the fact does remain, Mr. Speaker, that a few months ago, well it is quite a few months ago now, they didn't have to strike; they were rewarded with a very substantial increase in wages, not only CNR lines where they are a government-owned system but on the CPR or the private owned systems as well, running into millions and millions of dollars a year. Well that was a situation.

Mr. Willis: - Would you say that the 30 per cent increase therefore was to cover the mens' wages?

Mr. Danielson: — No, Mr. Speaker, I didn't say anything like that and he's not going to put any words in my mouth. The fact is that I think even he himself is fair minded enough to admit that when an expense of millions and millions of dollars, hundreds of millions of dollars is being loaded on to the railway system of Canada by an increase of wages which was made retroactive for a five or six months period, if not more, will have some bearing on the financial position of any enterprise, whether it is a railway or anything else. I think he will admit the reasonableness of that statement.

An Hon. Member: — You begrudge the employees the wages?

Mr. Danielson: — Well that's not a question, I'm not discussing the merits of this at all, but the fact is this, and my hon. friend knows that there were years when 97 per cent of every dollar taken in by the CNR went to pay wages on that railroad. That was the labor bill on that . . .

An Hon. Member: — I'd just like to say that I think that is the most exaggerated statement that has ever been made in this House. 97 per cent is ridiculous.

Mr. Danielson: — Well he can go back and see the statement that was filed in the House of Commons, if he wishes to do that. I am not going to retract that statement, Mr. Speaker. The situation is simply this — there are two great organizations of national importance and they are both in the same position, at least they claim they are, they claim they are in that position. I don't know, I'm not going to say whether this application for increases in freight rates is justified or not justified. That isn't the question at all.

An Hon. Member: — That's the Resolution.

Mr. Danielson: — Yes, just a moment I'll get to that — you are not going to squeal out of it as easy as this — the fact remains that we have one private owned railroad and one owned by the Government of Canada, with certain obligations insofar as salaries of the employees are concerned, so far as keeping up the interest on the investment. In this regard, Mr. Speaker, they are a little bit different from the Saskatchewan Government Crown Corporations which haven't had to pay any interest on the invested capital, at least not so far, but the railways have to do that. You take it out of the public treasury, that's what you do. At least you have done it so far. You are not paying interest on the \$2 million that the people of Saskatchewan gave you two years ago either. So far your Crown corporation was investment. You took it out of the public treasury, out of the taxpayers money to pay that, if you paid any, and you must have paid something because it is two years ago now and there's \$2 million and there is \$120,000 at three per cent for two years. He invites these things, Mr. Speaker, and he's going to get them as quick as I can give them to him. Now let me get back to what I

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was going to say. These two organizations are binding themselves due to certain circumstances according to what they say – I'm not guaranteeing what they say is correct. Now there is being set up by the people of Canada, by the Parliament of Canada, a certain body, to which all transportation systems in Canada, not the railroads alone but the lake shippers, all the boats and freight organizations, even truckers in certain parts of Canada, can appeal and submit certain facts and figures in evidence. They will be scrutinized, they will be challenged by the people of Canada or the provincial governments, or certain organizations, Boards of Trade or anyone else, to prove before that body that they must have this increase in railroad freight rates or lake freight rates or truck rates or anything else. They must have that in order to function and render service. Now that's the situation.

Now there is absolutely no difference, Mr. Speaker, between the CPR and the CNR in that respect. There is just this difference: if they cannot get any increase in freight rates, if their healthy state of life depends on the increase in freight rates (now I'm not saying that they do) then so far as the CNR is concerned, the Government of the Dominion of Canada, no matter who that government is whether it's a Liberal or Conservative or a CCF or a socialistic or communistic government, will have to pay the deficit on that railroad. The CPR, on the other hand will probably have to get along for a little while until they have dissipated or paid out all their assets, then the people of Canada, by demanding transportation and service will have to come to the rescue of that company and take them over like they did the CNR. That is the ultimate effect of the refusal of granting anything if it's needed. Now again, Mr. Speaker, I'm not saying that this increase is needed. I'm just as much opposed to it as my friend from Moosomin and I'm just as much opposed to the increase in freight rates as the mover of the Resolution, every bit of it. But it is no use. This is a business proposition; it is a question of utmost importance to western Canada and to all of Canada, but it will hit us, I think, Mr. Speaker, worse than anyone else and we think it is going to effect our economy here more than probably anything that has happened to it for a long, long time. For that reason, Mr. Speaker, I am opposed to any increase in freight rates and I'm going to support this motion.

Motion agreed to.

The Assembly adjourned at 6:05 o'clock p.m.