Railway Economics

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fectly content with an overall rate equally applicable per ton per mile on every shipment, bales of silk or bags of sawdust, coal or cash registers, lumber or lollipops, grain or gum. Their returns would be exactly the same, if the traffic continued to move in the same volume. And every transportation agency in the Dominion, competing directly with the railways, would fold up overnight—they couldn't possibly survive on any such low basis of returns as the railways average.

"But charging each commodity alike would simply result in economic chaos. Products important in our export economy couldn't continue to compete successfully in world markets, while many commodities shipped to far distant domestic consuming areas likewise couldn't stand rates even as low as that lowest-in-the-world average rail cost of ours.

"On the other hand, corresponding reductions in rates on the now higher rated commodities, bringing them down to the general average, would in many instances be too trivial on the individual article even to permit passage on to the individual consumer.

"It is evident that Canada's position as a leading exporting nation, let alone our domestic economy, requires the railways to maintain a rate structure which provides for higher than whatever average rate covers the total cost of rail service, to be charged on the high-value traffic, able to carry the higher rates, and lower than average on the low value commodities, which cannot stand the higher transport costs.

WESTERN CANADA DESIRES BENEFIT

"Western Canada benefits from a rate structure of this nature more than many other parts of the Dominion, as a greater portion of the rail tonnage moving in the West is made up of those commodities accorded rates below the general average.

"The average cost to the shippers of Western Canada for rail freight transportation is considerably lower than that for the Dominion as a whole. With the nation-wide average being the lowest in the civilized world, the Western shipper would appear to be all round in a fairly favored position.

"But into such a field as this, where the railways in effect are performing a function of government in handling about 50% of their tonnage at below-average rates, enter the competitors of the railways.

"Take for example the highway trucker. Quite naturally, if he is a good business man, he will haul only whatever traffic he figures will pay him a profit. Quite naturally, he rarely desires to pioneer new areas, where there is no other means of transportation, but if he can, goes where the business already is—between points served by the railways.

"With his costs running around 5c per ton mile, he can touch the 75% of the business carrying the low rail rates, but nibbles away at that 25% of the tonnage carrying the higher rates—say anything over 4c per ton mile. The very traffic on which the railways depend to make up the discrepancy between costs and revenues on the low-rated traffic, which nobody but the railways can handle!

"As you can see, the problem of obtaining the best use from our highway facilities, without at the same time destroying the ability of the railways to furnish the essential low-cost transportation, is a difficult one.

"What we are seeing across Canada is essentially a clash between a planned economy, represented by the railways with a rate structure designed for national needs, and a laissez-faire economy, represented by other types of transport, whose sole criterion is admittedly the interchange in the market place of apparent values.

"Much of the apparent economic field of these operators, we must conclude, is artificial, because their opportunity does not arise from the free interplay of that all important economic factor, the actual cost, either direct or indirect, of providing their services.

"Exploitation of such artificial conditions inevitably results in a loss to the country as a whole. That loss, though totalling many millions of dollars every year, might more readily be borne if it were equally distributed. The trouble is that the burden is not uniformly shared. It falls unequally upon different portions of our national economy.

"The railways suffer directly, and their only recourse under present conditions, should the paying traffic be diverted in large volume to other transportation agencies, would be to restrict railway services.

"Any such reduction in services would not particularly affect those living in favored communities with a heavy volume of traffic, but when it has to take the form of practical withdrawal of train service on a branch line, or entire abandonment of rail services in another district, then the whole communities do suffer.

"It is unfortunate that such a valuableaddition to our economic well-being as highway transport should have such an unfortunate by-product, simply because a planned economy is left to clash with a laissez-faire one.

TRUCK IS FACTOR IN SHORT HAULS

"We know for example that by and large, tthe truck is the economic factor in the short haul field, where its comparatively low terminal costs outweigh the disadvantage of its higher over-the-road costs. The railways with higher terminal expense, but unbeatably low line haul costs, are the economic carriers for any but the shortest hauls.

"With such a policy as a background, it would only remain for the nine provinces to direct their motor carrier boards to function in accordance with the broad principles laid down.

"To ensure uniformity, and to provide machinery for the control of inter-provincial and international highway transport, over which nobody in this whole Dominion now has jurisdiction, some authority set up by the province in collaboration with the Dominion is indicated.

"Certainly, under the present system, with nine licensing authorities and nine different sets of regulations, the nine provincial motor carrier boards, although undoubtedly anxious to act in the best interests of all, cannot be expected to function on a common basic principle.

"But to save the public the loss of many millions each year, surely it is not beyond the ability of our nation so to coordinate its transportation facilities that the people will get the maximum of service at the minimum of real cost to themselves.

RAILWAYS ARE LOOKING AHEAD

"The railways are looking ahead, and working ahead, towards the better service expected of them, and which they confidentialy expect to provide.

"Many major improvements are on the way in both day coach and sleeping car travel, which will keep the railways well in the vanguard for comfort. Cars will ride better. They will be better ventilated, better air-conditioned, better lighted. Seats will be more comfortable, with one type adaptable for both day and night use.

"One type of car now being considered in the U.S., of possibly little appeal to a group such as gathered here today, is a combination bar-lounge car, designed for transformation into a smart night club and movie theatre!

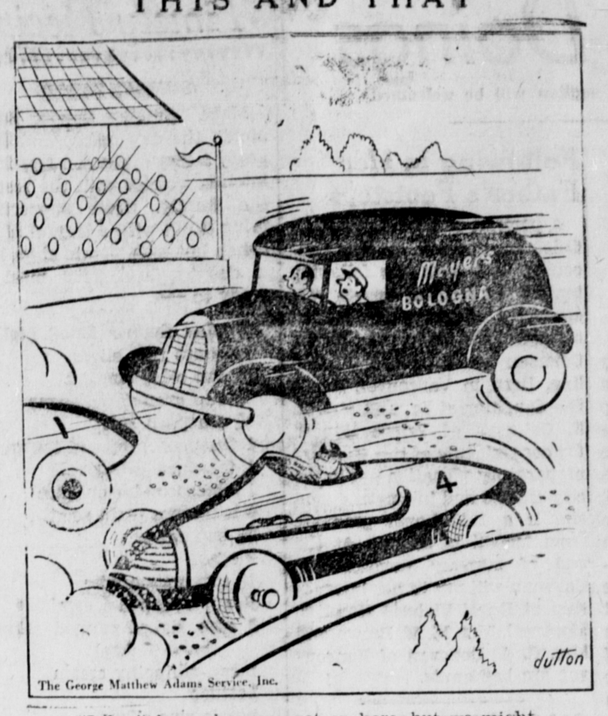
"Whatever the particular type of comfort appealing to its patrons may be, the railways are determined to satisfy it to the utmost of their ability.

"Safety? Well, on the basis of the latest figures published by the Dominion Bureau of Statistics, our average mile post could profitably give odds of one billion to 58 to each passenger that he'd reach the next post without even his dignity being injured. That gives an idea in average terms of the safety record of the railways, which no other type of transport has yet been able to equal.

"Speed. Well, the airplane will still beat the railways, streamline as we may, for longer hauls where the time of transport to and from the airport is not such a factor. But for many reasons, many people will continue to prefer a journey by rail, long haul or short, irrespective of fares charged or possibility of saving of time enroute."

Mr. Norman's address was listened to with interest by a large gathering of Rotarians and several guests

THIS AND THAT



"I don't know how we got on here, but we might as well finish the race!"

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