SECTION D

DOMINION-PROVINCIAL ASPECTS OF TRANSPORTATION

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There could be no thorough study of the matters remitted to the Commission for consideration without an understanding of how closely many of these questions are related to certain phases of the complicated and wide-ranging railway and transport problem. The submissions, dealing with aspects of this problem, were important; and many of the questions thus raised have been considered in the light of their connection with other issues which the Commission has found it necessary to examine and to deal with. These had to do with such matters as the purposes of national integration and encouragement of trade which inspired the transportation policies of the Dominion Government: the building of the Intercolonial, the enlargement of internal waterways, the provision by aid, direct and indirect, of three transcontinental railways within a period of forty years; inquiry into charges that the policies had not fulfilled the purposes, with results disappointing and injurious to important sections of the country; consideration of a complaint by Prince Edward Island that engagements as to continuous communication had not been met, and of a claim by British Columbia that the Canadian National Railway System should be extended to take in the Pacific Great Eastern Railway. All these questions are discussed elsewhere with comments justified, in the judgment of the Commission, by the ascertained facts.¹

In addition to these matters, representations were made to the Commission dealing with railway questions of great moment, rightly calling for consideration by the competent authority, but which in the judgment of the Commission did not impinge directly upon Dominion-provincial relations; and did not, therefore, call for inquiry and discussion. It is on these grounds that the Commission has omitted the question of the relations between the two great railway systems. There were several references to this matter in submissions made to us. These ranged from observations that the situation was serious, calling for resolute and constructive action,² to support for some not clearly defined scheme or plan of “unification” or “amalgamation” with “preservation of existing private rights.”³ In no case were there detailed specific recommendations as to courses of action deemed adequate to attain the desired ends.

This is not a problem of Dominion-provincial relations, coming within our instructions. These two railway systems are exclusively within the jurisdiction of the Dominion authorities; and the question of what is advisable to be done has been engaging their attention for years. There was an exhaustive study of this situation in 1932 at the instance of the Dominion Government by the Duff Commission, which made an extensive report with specific recommendations; and this inquiry has been supplemented by an examination carried on by a special Committee of the Senate during the sessions of 1938 and 1939.

It was stated in one of the submissions that “the financial problem of Dominion-provincial relations” is greatly aggravated by the existence of an unsolved “Railway problem.”⁴ The implication—that financial adjustments between Dominion and provinces, when found necessary, could be more readily made if the Dominion Government had not to meet heavy demands from other quarters—is doubtless accurate; but it does not affect the principle, to which the Commission has adhered, that the review of policies, financial or otherwise, solely within the sphere of Dominion or provincial power, is not a function which it is called upon to exercise, unless these policies have been the occasion of Dominion-provincial friction.

Transportation matters, where they come definitely within the ambit of Dominion-provincial relations, are of major importance; and we shall proceed to discuss at some length questions of this character, which have not already been dealt with. These questions, which await consideration, fall into two main classifications. There is that subject

¹ Section F, Chap. III, B.C. claims as to Pacific Great Eastern Railway; V, Claims concerning Trade Through Maritime Ports; VI, Compensation for Excess Freight Rates; VII, Prince Edward Island Claims.
² Ex. 304, Canadian Chamber of Commerce, p. 4.
³ Ex. 270, Brief of Canadian Manufacturers' Ass'n; Ev. 6755-6821.
⁴ Ex. 108, Canadian Investment Dealers, p. 11.
of perennial interest and constant discussion—the existing sectional incidence of the freight rate structure which, since the completion of the first transcontinental, has been built up to cover the whole Dominion, and has been subjected to a process of continuous adjustment, to meet changing conditions. That this is a matter of lively interest, the submissions by most of the provinces attest; and to this careful attention has been given by the Commission.

It became evident to the Commission at an early stage of its labours that the whole field of transportation, with its division of responsibilities and opportunities in the matter of supplying essential facilities between all the units of Government, Dominion, provincial and municipal, would call for extensive examination. It is in this field that the greatest danger lies of overlapping of services and expenditures necessitated by them, which was set out in our terms of reference as a subject requiring the most searching scrutiny. Though this development is still far short of its potential maximum, it has already brought about an extensive and costly duplication of transportation services; destroyed heavy investments of capital, both public and private; and threatens a repetition in another field of the inordinate expenditures which marked the climax of railway building in the second decade of this century. The Commission thinks it somewhat remarkable that in the many references to highways to be found in the submissions made to it, there was practically no recognition of the financial consequences if there continues to be a complete lack of co-operation and co-ordination between the various governments in the matter of railway and highway competition.

Most of the suggestions set out in the representations about highways made to the Commission were that the Dominion should make larger contributions toward the construction of main highways and highways to mines and national parks, and should give greater assistance to provinces to enable them to supply adequate roads.

This defect in the information supplied the Commission, by the ordinary means of voluntary submissions and free discussion, has, however, been met by the results of an intensive study of the whole transportation field undertaken by a staff of experts at the instance of the Commission, which revealed actual and potential dangers of the present state of unlimited competition between agencies and facilities for transportation operated under different jurisdictions. The Commission has, therefore, thought it desirable to throw such illumination, as its researches and special studies have made possible, upon the situation.

*This study was carried on under the general direction of Mr. R. A. C. Henry, formerly Deputy Minister of Railways and Canals. The material proved too voluminous for publication but will be filed with the records of the Commission, and selections from the material are being published as an Appendix, Railway Freight Rates in Canada (mimeographed).