

cities up to distances of 200 miles or more, and convey tourists over trips of several thousand miles. Railways and buses have not been successful in meeting this competition, notwithstanding the provision of more comfortable coaches and speedier service, and various experiments in fares.

For long-distance travel, aircraft have great superiority in speed although this gain is partly offset by time lost in travel between the city centre and the airport at origin and destination. Airlines have overcome many of their early disabilities, such as non-adherence to schedules, risk of accident, air-sickness, and delays in making reservations and handling luggage, and their fares are often about the same as first-class fares by rail plus berth, meals and tips. Scheduled air services now link the metropolitan areas across Canada and abroad and, to a growing extent, connect the smaller cities. Isolated points in Northern Canada are also served by air and for many of them it is the only means of transport.

The emergence of so much competition has created innumerable problems for railway companies and for various segments of the industry. Furthermore, competition, as well as automation, dieselization and the abandonment of non-paying branches and passenger trains, has reduced the need for labour and raised difficulties in 'railway towns'. Railway companies contend that competition limits their ability to raise tolls and their capacity to pay higher wage rates. At the same time, rising interest rates makes it harder and more expensive to modernize plant. On the contrary, railway workers claim that their productivity has risen steadily as measured by ton-miles per man-hour and other indexes. They also contend that they should not be expected to work for lower wages than those prevailing for jobs of equivalent skill in industry generally. Finally, they claim that they are entitled to job security in the face of labour-saving innovations and abandonment of passenger trains and branch lines.

In 1958-61, Canada's transportation problem was investigated by a federal Royal Commission under the chairmanship of the Hon. C. P. McTague who was formerly Chief Justice of Ontario and, after his illness and resignation, under the chairmanship of M. A. MacPherson who had been legal counsel for Saskatchewan in all the postwar controversies over freight rates. Briefly, the Commission recommended: (1) A subsidy to cover the difference between railway costs and revenues for handling export grain in the West (under the Crow's Nest Pass Agreement of 1897, as amended in 1925 and interpreted by the Board of Transport Commissioners, such traffic is carried at the rates of 1899); this subsidy would amount to \$22,000,000 a year on the basis of the operating costs of 1958. (2) A subsidy of \$13,000,000 a year for five years and at a diminishing rate for each of the following ten years to cover losses on the operation of unprofitable branch lines which are to be abandoned except where no reasonably satisfactory alternative means of transport exists. (3) A subsidy of \$62,000,000 in 1961, declining in regular stages to \$12,400,000 in 1965, to meet operating deficits on the passenger services of the two major railways; the Commission would not allow any return on the investment in passenger-train cars, passenger stations, and the like. (4) Cancellation (except for Newfoundland) of the subsidy of 20 p.c. which has been paid since 1927 under the Maritime Freight Rates Act on local freight carried by rail within Canada east of Lévis, Que. (5) Retention of the current subsidy of 30 p.c. on the Maritime portion of the rate on traffic from the area east of Lévis to stations in Canada which are west thereof. (6) Cancellation of the so-called bridge subsidy of \$7,000,000 annually which has applied since 1951 to non-competitive traffic moving by rail between Eastern and Western Canada, north of Lake Superior. (7) Re-examination by the Federal Government of its policy of subsidizing the movement of feed grain from the Prairie Provinces to other parts of Canada.

In general, the Commission worked on the theory that competition rather than regulation should prevail. Therefore, it admonished the provinces not to regulate either rates or admission to the industry. (Oddly enough, in 1962 a Royal Commission appointed by Newfoundland reached exactly the opposite conclusion on this point.) The MacPherson Commission proposed, however, that the Board of Transport Commissioners should make sure that railways do not cut tolls below their out-of-pocket costs for handling any kind of traffic and thus compete unfairly with truckers. The Commission felt that, as far as