

possible, carriers and shippers should pay the full cost of the facilities which they use and which are provided at public expense. It recognized that some railways, highways and air fields are needed for national defence, for the development of remote, newly discovered resources, and for the provision of passenger and freight services where no alternative means of transport exist. In these instances, the costs should be borne directly by the government and not by carriers or shippers. Finally, the Commission worked on the principle that government policy should be neutral in the sense that it should not favour one mode of transport above another. This means, among other things, that any subsidies continued under the Maritime Freight Rates Act should be paid to common carriers by water and highway as well as to railways.

For a variety of reasons, none of the recommendations of the MacPherson Commission have yet (August 1962) been incorporated in legislation but during the year ended Mar. 31, 1962 the railways received from the Federal Government \$50,000,000 as an interim payment related to the recommendations of the Commission, plus \$20,000,000 to be applied specifically to the reduction of freight rates. These sums were in addition to the continuing payments to railways under the Maritime Freight Rates Act and other older pieces of legislation.

## PART I.—GOVERNMENT CONTROL OVER AGENCIES OF TRANSPORTATION

The Federal Government's control and regulation of transportation reflect to a considerable extent conditions that date back to the period when the railways possessed a virtual monopoly of transportation within the country. Although federal regulation was a direct outcome of such particular matters as the prevention of unjust discrimination in rates and charges resulting from monopoly conditions in the industry and the safety of transportation facilities and operating practices, yet the railways have been so involved in the public interest that their regulation has been extended to become the most comprehensive of any industry in Canada.

In the meantime, conditions in the transportation industry have been drastically altered by the increasing competition arising from the advance of highway transportation. Unlike the competition that existed between railways in early stages of their development, today's competition shows little indication of starting a trend toward consolidation and a return to semi-monopolistic conditions within the industry. Because so many shippers now provide their own transportation, it is evident that a large part of the present competition between common carriers has become a permanent feature of the transportation industry.

It is not surprising that regulations, which under monopoly conditions were not onerous to the railways or were purely nominal in their effect, are now alleged to have become increasingly restrictive and hampering under highly competitive conditions. Regulatory authorities are therefore faced with the problem of piecemeal revision of their regulations—retaining those where railway monopoly or near-monopoly conditions still make them necessary in the public interest, and relaxing those where competition can be relied on to protect the public in order to enable the railways to meet this competition more effectively. The emphasis has shifted from the regulation of monopoly to maintaining a balance between the several competing modes of transport. Indicative of this trend is the amendment to the Transport Act passed in 1955, which extends the freedom of the railways to make contract rates with shippers known as 'agreed charges'.

On Nov. 2, 1936, the amalgamation of the Department of Railways and Canals and the Department of Marine, together with the Civil Aviation Branch of the Department of National Defence to form the new Department of Transport brought under one control railways, canals, harbours, marine and shipping, civil aviation, radio and meteorology.

Road and highway development is mainly under provincial or municipal control or supervision. According to the judgment of the Judicial Committee of the Privy Council dated Feb. 22, 1954, jurisdiction over interprovincial and international highway transport