

Freight Transportation in Canada

The Need for a New Approach

F. K. DeVos

"Civilization is transportation"

Rudyard Kipling

WITHIN the limited scope of this article a general discussion of freight transportation in Canada, its fundamental economic and technical principles and the attempt to formulate a new approach are, of course, quite formidable undertakings. The subject's vastness, the countless angles from which Canadians tend to view it, the great diversity of the different means of transportation in use today and the dearth of reliable information on certain types of transport are so many obstacles to be overcome in writing a general review.

Yet, the very difficulty of the task is a challenge to every transportation economist while the confusion prevailing in the minds of so many regarding freight transportation seems to make such a review a useful contribution towards better understanding of one of this country's most basic industries.

Speed — Individuality — Cheapness — Dependability — Safety — Comfort, these are some of the characteristics of modern transportation which each carrier possesses in greater or lesser measure. It is difficult, even for those directly concerned, to visualize exactly how these characteristics are represented in Canada's different car-

riers and it is becoming still more difficult to determine which carrier—if any—will render greater services to the nation in the future or which—if any—is on its way out.

It may be said that in moving freight by far the most important feature is *cheapness* and only our constant preoccupation, as passengers, with *speed*, individuality and comfort may sometimes obscure this point for us.

History shows how countries possessing dense low-cost transportation networks have prospered in direct proportion to the development of these traffic lines while the decline and fall of Rome, for instance, was preceded by gradual disintegration of her transportation system accompanied by rising shipping costs.

Even as late as the early nineteenth century transportation in France was so dear that famine in one part of the country went on unchecked while surplus wheat was available in another of her provinces. And yet, at that time, speedy stage-coaches, a lot faster than some of the early-freight trains *were* available but so expensive that any grain shipped by them doubled and trebled in price before reaching its destination.

Advent of Railways

TRANSPORTATION-wise it may be said that modern civilization, here in Canada perhaps even more than anywhere else, has taken its origin with the development of the railway.

With steam railways a dramatic reduction in haulage costs was initiated such as the world has never yet witnessed and may not experience in the future. While in 1825 the cost of moving one ton of goods one mile by horse drawn cart was still around 35 cents and more, rail freight had cut this to 5 cents per ton/mile during the 1840's. Today, modern freight trains haul millions of tons of Canadian commodities across the length and breadth of this continent for as little as an average of 1.35 cent revenue for each ton/mile.¹

Now this figure of 1 cent and 35 hundredths of a cent revenue our two largest railroads averaged for each ton carried one mile, does not give us a very clear picture of the incredible cheapness, the almost unbelievable economic efficiency of our modern bulk freighting on steel rails unless we compare it with what we pay for, say a local delivery letter of one ounce. With all due allowance for the individual service required in the process of forwarding such a letter within a big city like Montreal or Toronto it remains true that we pay three cents for the one-ounce letter which often doesn't travel more than a mile or two, and sometimes not so very fast either, while the railroads do not even get half that amount for moving a load 35,200 times the weight of our letter.

Cheaper Truck and Air Freight Too

THESE transportation cost reductions have by no means been restricted to rail traffic only. Since the invention of the internal combustion motor tremendous strides have been made in the field of road and air haulage. If not as radical as the reduction in rail freight, reduction of truck and air-cargo have been quite noticeable particularly during the last two decades.

Indeed, lowering of these rates made possible by various technical improvements and by introduction of ever larger vehicles and planes has given rise to some wishful thinking in people enthused to the point of claiming that soon the railroads would be unnecessary and that trucks and airplanes could handle the nation's movement of goods alone. Typical of this enthusiasm was the ad put out in the United States portraying a weary, resigned Dobbin admitting the modern truck had ousted him out of his job, *an admission the railroads in similar circumstances stubbornly refused to make.*

Rail Freight Still Lowest on Average

BENEFICIAL though these truck and air cost reductions have been and still are to the further development of our general transportation set-up, they have as yet fallen far short of rivalling that record low 1.35 cent per ton/mile charged by Canada's major railroads. Though few data are available, it is safe to assume that trucks cost from a minimum of 3 to 4 cents for shipments in large vehicles up to around 10-15 cents for small truck haulage under less favourable circumstances.

Data on ton/mile costs for air-cargo are published by most air-lines. During 1951, TCA figured each offered ton/mile cost them, on their North American flights, 37.22 cents. While some air-cargo is shipped at considerably lower cost than this TCA average, air-freight still remains an expensive proposition as no shipments can take place by plane below a rock-bottom cost of around 16 cents per ton/mile, and then only in exceptionally favourable circumstances. The international average is: 42 cents per ton mile.

This explains how, from a cost viewpoint alone, a paradoxical similarity exists between certain slow carriers such as the sleigh, ox-cart, camel and snow-mobile, and the swift airplane. Computed in cents per ton/mile, all these carriers are in the expensive, economically inefficient 15 to 50 cent class.

As a contrast to these high-cost means of transportation, Great Lake boats, inland waterway barges and above all ocean freighters offer the world's cheapest transportation varying between less than one cent and extreme lows of 0.1c per ton/mile. While *water-borne* freight therefore moves at lowest expense to the shipper and the economy in general, by far the cheapest means of shipping goods *on land* is still by rail. During the winter freeze up it is, in a large part of Canada, the cheapest available.

The importance of this *cost* factor in transportation as compared to the *speed* element is amply demonstrated by the fact that railroads, Great Lakers and ocean shipping between them still carry some 95 per cent of the world's freight volume. And who would persist in talking about "this air age" when air cargo interests themselves admit only 0.1 per cent of US domestic ton/miles moved by air in 1950 and optimists express the *hope* this will reach 1% by 1955?

Yet, the importance of air-transport is often over-emphasized. For instance, the 1952 Canada Handbook, in listing ways and means of opening up the Canadian North, simply omits the possibility of pushing a railroad into these territories (page 28). In its treatment of the part played by air-transport however, the official booklet climbs to lyrical heights where it says, "So significant is the air age to the North that it has been stated that the whole history of the Canadian North can be divided into two periods—before and after the coming of the aeroplane."

After this brief excursion on the wings of governmental lyricism here are some down to earth statistics. Between 1938 and 1944, slow but low-cost river transportation accounted for approximately 90 times more tonnage moved in the North Western Territories than the "aeroplane" (44,433 tons vs. 499).

Present developments at Kitimat and Ungava are more proof of the paramount importance of railroads in opening up new land to economic progress. While exploring and initial surveying has admittedly been made much easier and

more efficient thanks to the airplane, snowmobile and truck, construction of a railway in both cases demonstrates that for setting up of a going economy based on shipment of bulky goods there is as yet nothing to beat the railroad.

An interesting aspect of the co-existence problem of rail and airplane is that a heavily used railway line still calls for an ancillary airline between its terminals while the opposite is not true; existence of a heavily used airline does not necessarily call for construction of a railroad as countless examples in the Canadian North prove.

Victims of Own Efficiency

THROUGH an irony of fate, Canadian railroads have to a certain extent become the victims of their own efficiency. Having indeed succeeded in reducing their costs of moving an average ton/mile to the record low of one and one third cent, they have been forced by various means and for various reasons or excuses to accept even less than direct haulage costs for moving a large volume of commodities. Created in fear of transportation monopoly, the Board of Transport Commissioners has consistently prevented the railroads from earning more than a minimum which might well be described as "too much to starve on but too little to live on." A particularly unfavourable aspect of Canada's railway freight system as controlled by the Board has been the fact that it forces railroads to take less than their direct haulage costs on traffic such as grain that no other carrier could possibly take away from them while allowing higher rates on traffic which is the object of fierce competition on the part of trucks.

Fears die hard and the fear of transportation monopoly is no exception. While it is of course quite right to prevent industry from abusing its strength against the public, it would seem to be carrying prudence a little too far when the would-be monopolist is forced to take a loss instead of even a small profit to allow for necessary expansion, which in the case of railroads would be in the ultimate benefit of the nation as a whole. It is

amusing to notice that sometimes the same people who denounce freight increases as another instance of exploitation by the railroads of their monopoly position, in the same breath argue that actually railroads are on the way out and that trucks will take their place.

Meanwhile few seem to realize that it would be to the advantage of *all sections* of the population, including the wheat-growers, to have an adequately remunerated transportation network expand the area of Canadian settlement so that a further growing home-market may be built on which domestic agricultural production could be sold in place of exporting a large part of our national output into a world market ridden with currency and trade restrictions. It is not enough to pay lip-service to the ideal of 30 to 40 million Canadians. If this ideal is to be achieved it will be necessary to hand back to Canada's railroads the incentive that years of discouraging controls and forced rate limitations have taken away from them. This country cannot expect an aggressive policy of modernization and pioneering from its railroads when some of the current grain rates they are forced to offer date back to 1899.

Railroads not only get a raw deal on freight rates, they also have to stand by as huge projects of subsidized canal transportation are launched. While most railroad facilities have been built by the companies concerned, today's taxpayer is deemed glad to hop in to the tune of more than \$1,000,000,000 to allow Canada to "get it alone" on the Seaway. Yet, this vast investment of taxpayers' money would provide transportation only slightly cheaper than already existing railroads offer along the same route while other sections of this country, particularly in the North, lack any means of transportation throughout vast, potentially prosperous territory.

At a Crossroads

IF the present discrimination against railroads in this country is irresponsible and seriously slows down normal economic progress into the last frontier

lands, it would be equally irresponsible to divert this neglect onto some other "scape-goat" carrier such as for instance the trucking industry. In this respect we stand at a crossroads in Canadian transportation policy. As a nation we have a choice to make between either giving our railroads a fairer deal or giving a worsening deal to all transportation media, including the railroads.

The opinion is gaining ground that, in order to save the railroads' capital investment, the government would have to extend to the trucking industry those very federal controls and limited rates which have already gone such a long way towards crippling the country's major railway companies. The reasoning appears to be that, since one means of transportation has already been fettered and decisively hindered in its natural expansion and modernization the time has now come to stifle the next important one which hitherto had escaped the master planners' attention. And it can safely be predicted that should Canada's truckers ever be made to toe the line, the same planners would demand control over air-carrier and shipping rates. By then this country would stand where ancient Rome stood at the beginning of her inexorable disintegration when the imperial *cursus publicus* throttled first private overland and then private maritime transport as a profession.

The other course is to heed the lesson of declining Rome and to put the ailing Canadian transportation system under the oxygen tent of freedom rather than continue giving it regular shots of anesthetic controls.

More and more, Canadians begin to realize that they cannot get something for nothing. Santaclaustrophobia is spreading. Transportation should be no exception. It should be realized that if freight rates, notably railway rates, are kept artificially low, if free competition as between trucks and railroads and airlines and boats and ocean freighters is prevented or "co-ordinated," undoubtedly some short term gains can be made but that the price will be all the heavier in long term losses. Losses through stunted

development up North; losses through lack of adequate technical progress in the transportation systems affected by dictated rates; losses through slower population increase combined with relatively higher emigration to the United States or overseas and smaller immigration and settlement; losses caused by deterioration of service on the part of companies that know their efforts are not properly remunerated.

Conclusions

IN a country the size of Canada and with a relatively small population spread in a thin band along its Southern border, a continent still abounding in untapped resources and with a possibly hostile neighbour across the Arctic seas and straits, transportation of any kind should be eagerly welcomed, encouraged and treated as what it actually is, a godsend. Each form of transportation be it speedy or slow, mass shipment or parcelwise, all year round or restricted to one season, surface-bound or airborne, charging 0.2, 1, 2.5, 5, 15 or 50 cents per average ton/mile carried has its particular part to play in the Canadian economy. And the only way to find out what this part could and should be is to allow each one of these carriers to offer its services to the public in free competition against the others, also, no carrier should ever be forced to perform any service at less than direct cost.

(a) *Railroads*

APPLIED to Canada's railroads this would mean freight rates should be taken out of the Board of Transport Commissioners' deep freeze and allowed to find their own level in competition with truck, air and inland shipping rates. However useful the Board's continuance in its other functions could be, its delaying action on necessary freight rate increases should be drastically curtailed if not stopped altogether.

Wherever rates are tied down to unrealistic levels by statute, such as the Crow's Nest rates, dating back to 1899

and therefore completely out of line with present inflated haulage costs, the required legislation should be passed to allow them to be adjusted.

In any case where it may seem to be in the public interest to give relief to individual categories of shippers, such as, for instance, western wheat growers, this should be done on a straight federal subsidy basis and no longer through enforcement of inadequate freight rates.

If this policy of liberation seems too bold for Canada to initiate it might be well to draw a comparison with the policy she so successfully followed in regard to her dollar. It took the Canadian government a long time to free its currency from the fetters of self-imposed foreign exchange control but since it was set free the Canadian dollar has become one of the "hardest" currencies in the world, one of the leaders in the international struggle of exchange rates, a true symbol of this country's sound economic position and opportunities. Similarly, it might not be long before Canadians could be equally proud of the new expansion and vitality of a re-born Canadian railroad system once again ready to push this country into tremendous economic development as it has already done in the past.

In return for their rate-making freedom the railroads might perhaps be held to a minimum yearly construction programme of pioneering railways, to be built say jointly by a CNR-CPR pool, as well as to a vigorous schedule of modernization.

(b) *Trucks*

IN view of its invaluable special services to the community, its recent technical progress which has greatly reduced originally prohibitive ton/mile costs, and in view also of its continuing further development, the Canadian trucking business should remain entirely free from interference from either the state or other transport bodies.

Attempts by any transport agency to interfere with the truckers' operations under the excuse that since they themselves are hampered by controls the truck-

ing industry should get the same "treatment" should be watched. A glance over at the United Kingdom is enough to show what this line of thinking may ultimately lead to. There is, for instance, the notorious case of Thomas Andrew Barton's bus line to Melton-Mowbray which was put out of business by the Labour government only because it was more efficient as a public carrier of passengers than the state-owned railways in the same area.

If the trucking industry is still free to perform a good job on its own terms without asking too many people's permission, so much the better. If railroads are not so fortunate they should state their case for more freedom before public opinion, not attempt to have this freedom taken away from their rivals who are still enjoying its fruits.

This does not mean however, that no case whatsoever could be made for more adequate contribution by the heavy-duty truck towards building and upkeep of highways. Contrary to railroads which foot the total bill in respect of right of way, operators of heavy trucks pay only a fraction of the total cost as compared to other highway users, such as lighter passenger cars.

If one remembers that wear and tear on the roadbed increases with the square of weight and speed of the vehicle; that some trucks weigh up to 60,000 pounds; that during spring-thaw speed-limitation Montreal police found a great majority of trucks to be overloaded; that some trucks travel faster than many a passenger car; and that trucks and passenger cars and busses all pay the same percentage of taxes in their gasoline and oil purchases, it will be realized that heavy trucks no doubt cause a lot more damage to the highways than they pay for.

Actually, recent experience with the New Jersey Turnpike high-speed traffic highway running for 125 miles from New York to Wilmington, Delaware, would seem to show that truckers as well as private drivers don't really mind paying for their roads as long as they get good ones for their own exclusive use. Since Canadian roads are a provincial responsibility, it might be well examined whether

this modern "pay-as-you-drive" principle could not help provincial governments, truckers and private car drivers solve the increasingly complicated problem of highway construction and maintenance to everybody's satisfaction.

(c) Planes

SIMILAR considerations apply to air transport.

A lot of public funds go into construction and maintenance of huge airports which are no sooner completed than enlargements have to be added to keep them in line with technical progress. Meanwhile a majority of the public never enjoys the privilege of hopping a plane or shipping a spare machine part by air cargo. A stricter distinction could no doubt be made between construction and maintenance expenditures which are manifestly in the general interest for mail, defence and other recognized purposes of benefit to the public, and those that should properly be the direct responsibility of the air carrying trade.

But no matter how air-carriers are brought to contribute a larger share toward their terminal facilities, meteorological services, etc., their independence and freedom of ratemaking should never be curtailed. Like railroad and truck, the airplane has its own particular field of activities in which it renders invaluable services to a transportation-hungry nation and therefore the largest possible measure of freedom should be guaranteed to it.

A Canadian Responsibility

IN respect to Canadian railroads this country's transportation policy over the past 50 years or so might be described as one of "starving the goose that laid the golden eggs". And some day it will have to be realized that a starved goose lays no more eggs than if she had been killed. For a country such as Canada to mistreat its rail transportation system by forcing it to take inadequate payment

for its services is a very dangerous practice because so much still depends on a healthy expansion of the country's rail network.

As in the matter of foreign exchange controls, the price of gold and general foreign policy, Canadians might well assert their political maturity by taking the lead in this—to them vital—field of transportation policy. We may perhaps look

to the United States for guidance and initiative in many fields but in this one Canadians should realize they are on their own and have to assume their own responsibilities.

North America's last frontier is right here in Canada. Transportation-wise it provides Canadians with a challenge they cannot wish to shirk.

¹During 1950 the C.N.R. carried some 66 million tons at an average revenue of 1.37c per ton/mile; and the C.P.R. carried some 54 million tons at an average revenue of 1.33c

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