THE BOARD OF RAILWAY COMMISSIONERS FOR CANADA

In the matter of the complaint of the Vancouver Board of Trade alleging Discrimination in Freight Rates by the Railway Companies operating in the Province of British Columbia

and the

Consideration of the Matter of Rates for the Carriage of Freight Traffic upon Railway Lines in Canada, West of Port Arthur, Ontario
File No. 18755

JUDGMENT

VOL. 200

A. D. CARTWRIGHT,
Secretary

OTTAWA
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1914

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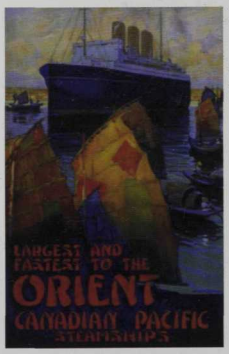

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THE BOARD OF RAILWAY COMMISSIONERS FOR CANADA.

IN THE MATTER OF THE COMPLAINT OF THE VANCOUVER BOARD OF TRADE ALLEGING DISCRIMINATION IN FREIGHT RATES BY THE RAILWAY COMPANIES OPERATING IN THE PROVINCE OF BRITISH COLUMBIA,

and the

CONSIDERATION OF THE MATTER OF RATES FOR THE CARRIAGE OF FREIGHT TRAFFIC UPON RAILWAY LINES IN CANADA, WEST OF PORT ARTHUR, ONTARIO. (File No. 18755.)

BEFORE,—

H. L. DRAYTON, K.C.,	*Chief Commissioner,*
D'ARCY SCOTT,	*Assistant Chief Commissioner,*
JAMES MILLS S. J. MCLEAN A. S. GOODEVE.	*Commissioners.*

JAMES HARDWELL,
Chief Traffic Officer.

JAMES BICKNELL, K.C. H. W. WHITLA, K.C. F. A. MORRISON.	For the Dominion Government.
M. K. COWAN, K.C., and J. F. ORDE, K.C.	For the Provinces of Alberta and Saskatchewan.
I. PITBLADO, K.C.	For the City of Winnipeg and the Winnipeg Board of Trade.
W. A. MACDONALD, K.C., L. G. MCPHILLIPS, K. C., J. F. SMELLIE.	For the Province of British Columbia.
H. P. BLACKWOOD,	For the City of St. Boniface, Man., and the St. Boniface Board of Trade.
F. H. CRHYSLER, K. C. E. W. BEATTY, (*General Counsel*) W. N. TILLEY.	For the Canadian Pacific Railway Company.
E. LAFLEUR, K. C. W. H. BIGGAR, K. C. (*General Counsel.*)	For the Grand Trunk and Grand Trunk Pacific Railway Companies.

HON. F. H. PHIPPEN, K. C. (*General Counsel*) E. ANDERSON, K. C. R. H. M. TEMPLE.	For the Canadian Northern Railway Company.
ANDREW HAYDON	For the Great Northern Railway Company.

The following among other Associations and Boards of Trade were represented at various sittings of the Board or submitted their representations in writing:

THE UNITED FARMERS OF ALBERTA.
THE CANADIAN MANUFACTURERS ASSOCIATION.
MONTREAL BOARD OF TRADE.
TORONTO BOARD OF TRADE.
VANCOUVER BOARD OF TRADE.
CALGARY BOARD OF TRADE.
VICTORIA BOARD OF TRADE.
REGINA BOARD OF TRADE.
EDMONTON BOARD OF TRADE.
BRANDON BOARD OF TRADE.
MOOSE JAW BOARD OF TRADE.
SASKATOON BOARD OF TRADE.
LETHBRIDGE BOARD OF TRADE.
PRINCE ALBERT BOARD OF TRADE.
PORTAGE LA PRAIRIE BOARD OF TRADE.
MEDICINE HAT BOARD OF TRADE.
NELSON BOARD OF TRADE.
NORTH BATTLEFORD BOARD OF TRADE.

THE CHIEF COMMISSIONER:—

I.

The issues in this case involving so much have so often been confused, the hearings so protracted and the evidence so conflicting, and the subject of freight rates in the North-West has been a matter of consideration and comment for so many years, that an extended reference to the manner in which this investigation was commenced, and its scope, is advisable.

The first step leading up to the present inquiry into Western Freight Rates is the resolution of the Winnipeg Board of Trade, passed at a general meeting held on November 14th, 1911. The resolution is as follows:

"WHEREAS the rates charged by the Canadian Pacific Railway Company for the carriage "of freight from Winnipeg and throughout the whole western country were originally based on "a much higher scale than those charged for a similar service on the same road in the eastern "portions of the Dominion, and

"WHEREAS the complaint being made to W. C. Van Horne, the then head of the said "railway, he stated that as the volume of traffic increased the rates of freight would naturally "decrease, and

"WHEREAS the rates of freight have not decreased since then notwithstanding continued "complaints made, and the fact that the tonnage to be hauled now taxes the capacity of the "Canadian Pacific Railway and the Canadian Northern Railway to the utmost, as shown by "congestion in their yards, and

"WHEREAS the rates charged are greatly in excess of not only those charged for a similar "service in the east, but also those charged on the Soo Line, an allied company of the Canadian "Pacific Railway in the States to the south of us, and

"WHEREAS the burden of excessive freight rates has for many years been a source of great "complaint as well as being a grave injustice to the people of the entire western portion of our "Dominion, and

"WHEREAS the Railway Commission, whether from want of sufficient jurisdiction, or "whatever cause, have failed to deal with the matter.

"THEREFORE BE IT RESOLVED that in the opinion of this Board, the time has arrived "when the Government of this Dominion should by legislation lay down the principle that the "rates allowed to be charged by the railways in the western provinces shall not exceed those charged "in Ontario and Quebec for a similar service to a greater extent than necessary to cover any "excess there may be in the cost of operation in the west over that in Ontario and Quebec, and "it is recommended that this Board take immediate action in respect hereto, and ask the co-"operation of western Boards in the presentation of facts to the Government through the Honorable "Robert Rogers and other western members of Parliament."

This resolution was subsequently printed and circulated among different Boards of Trade in the Western Provinces, and, speaking generally, almost unanimously adopted by them. The complaints ceased to be those of Winnipeg and became those of the Western Provinces generally. The resolutions were forwarded by the Minister of Railways and Canals to the Board, and as a result the Honorable Mr. Justice Mabee, the late Chief Commissioner, on the 24th of November, 1911, wrote the Secretary of the Winnipeg Board of Trade as follows:

"The Honorable the Minister of Railways has forwarded to me a copy of a resolution passed "at the general meeting of your Board held on November 14th inst. This is the first complaint "that has been made direct to this Board regarding freight rates generally in the West. There "is no necessity of calling upon the Government to deal with the matter, nor is there any further "legislation required. The powers of the Board are ample to deal with not only specific rates "but those generally. The resolution that you have forwarded is of an extremely general char-"acter. If you desire the whole subject investigated by this Board, it would greatly facilitate "matters if you would have your traffic officials formulate a specific case. Our rules are by no "means hard and fast, nor do we confine ourselves to the specific case set forth in the complaint; "but it is a difficult matter to take up in the way it is placed in this resolution. Indeed, strictly "speaking, the resolution is not a complaint to this Commission at all, but is a request that the "Government pass legislation.

"I shall be glad to have your views upon the foregoing."

This letter of the late Chief Commissioner was replied to by the Board of Trade on December 4th, 1911, in the following terms:

"I beg to acknowledge the receipt of your letter of the 24th November, and I am instructed "to inform you in reply that this Board is of the opinion that Parliament, by legislation, should "affirm the principle that the railway rates in the Prairie Provinces should not exceed the rates "for a similar service in Eastern Canada except to the extent that the cost of rendering such "service is greater, and it was on that account that the Board communicated directly with the "Honorable the Minister of Railways and Canals.

"In view of the above explanation and of the information afforded in your letter of the 24th "November, I am further directed to enclose to you herewith a copy of a letter sent forward to-day "to the Honorable the Minister of Railways & Canals, which is in reply to his letter of November "20th, 1911, informing this Board that he had transferred this Board's communication to him "to the Board of Railway Commissioners."

The letter referred to in the above letter from the Board of Trade as being sent by it to the Honorable the Minister of Railways and Canals is of the same date (December 4th, 1911), and is as follows:

"This Board has the honor to acknowledge receipt of your letter of November 20th, 1911, "in reply to the resolution of the Board forwarded to yourself and the Honorable the Premier "of the Dominion stating that the rates charged for freight within the Prairie Provinces are "greatly in excess of those charged for a similar service in Ontario and Quebec, and asking that "the principle be affirmed that the rate of charges shall be no greater in these Provinces than in "Ontario and Quebec. And the Board is also in receipt of a communication from the Chairman "of the Railway Commission stating that the said resolution has been turned over to him, and "that the Commission has full power to deal with the same, and that no further legislation is "required, and the Board now desires to lay before yourself and the members of the Government "the reason for asking that the principle be affirmed by Act of Parliament, namely, that the "Railway Commission has now been in power for a considerable number of years, and this Board "complained of the freight charges in this country in 1907, when a stated case was prepared "showing the charges which were then being put in force by the railways operating in Western "Canada, and which were not only higher than those charged in the East, but were a material "advance upon those previously in force in Manitoba, and that on that occasion they were refused "relief; and further, that, during the summer now past, the express companies were authorized "to put into effect a scale of charges based on $5.00 per 100 pounds in this territory for a similar "service for which they were allowed three dollars in the East, or an advance of 66 2/3% over

"eastern rates; and this Board has felt that a grave injustice was done to the Western country "by the continuance of such a state of affairs, and felt that the Prairie Provinces were entitled "to be put on an equal basis with the East except to the extent that it could be shown that the cost "of operation in the Western country exceeded that in the East.

"This principle this Board believed to be a fair equitable one, and one that as a matter of "public policy should be affirmed and carried out, and that the Government and Parliament of "Canada are the right parties to affirm and see to the carrying into effect of the same.

"This Board begs to enclose herewith a copy of the letter received from the Chairman of the "Railway Commission, in which it asks that our traffic officials should formulate a specific case. "This is exactly what the Board objects to doing. Their charge is that the whole scale of rates "in the Prairie Provinces is in excess of those charged in the East. They attached to their original "resolution a copy of rates covering distances respectively in the East and West, and covering "from 100 miles up to 1,050 miles, showing that in each case the charges in the three Prairie "Provinces were materially in excess of those in the East, the whole averaging an increase of "78%, a copy of which statement is hereto attached; and it is this whole matter of grave injustice "to the West that it wishes to have taken up and remedied, and the Board believes that the cost "of operation in the three Prairie Provinces is no greater, if as great, than in the Provinces of "Ontario and Quebec.

"That if it is the desire of the Government that the matter should be relegated to the Com-"mission, and an investigation held by them and the facts ascertained, under such circumstances "this Board would urgently request that, under the terms of the railway Act, the Board of Railway "Commissioners be instructed to inquire into the facts regarding the whole scale of charges in "the Prairie Provinces and their relation to those in the East, and that an investigation with "this object in view should be held in the City of Winnipeg, and elsewhere in the West, if necessary; "and in view of the fact that it is a matter of public policy in which the whole people of the West are "concerned, they would further ask that counsel resident in this City and free from all railway "corporation control, be appointed to act with this Board and other public interests in establishing "the facts complained of; and that further, so soon as such facts are established, the railway "companies be required to reduce their charges in the West to the basis before alluded to."

As a result of the different representations made, the Board, by its Order of January 8th, 1912, declared it to be advisable that a general inquiry be at once undertaken by the Board into all freight tolls in effect in the Provinces of Manitoba, Saskatchewan, and Alberta, and in the Province of Ontario west of and including Port Arthur, with the view that, in the event of its being determined that the said tolls, or any of them, are excessive, the same shall be reduced as the Board may determine.

As a further result of the representations made, the Government, in compliance with the request of the Winnipeg Board of Trade, appointed Counsel to represent the Complainants in the Inquiry.

I find that, prior to the complaint originating with the Winnipeg Board of Trade, and subsequent to the Judgment of the Board delivered in the Coast Cities' case in August, 1907, an application was made by the Board of Trade of Vancouver in the interests of shippers of the Pacific Coast, on October 8th, 1909. The application practically called in question the decision in the Coast Cities' Case and was for an Order directing the Canadian Pacific Railway Company to

"(a) Cease from making and charging discriminating rates on goods transported by such "railway from Vancouver, B.C., to points located in British Columbia, Alberta, Saskatchewan, "and Manitoba, on the main line, and on the Crow's Nest Branch Line, as compared with the "rates charged by such railway to the same territory (for the greater distance), from Montreal, "Quebec, and other points on the Atlantic seaboard.

"(b) Cease from making and charging discriminating freight rates on wheat and oats "consigned from Alberta to the Pacific Coast, as compared with the charges on wheat and oats "(for the greater distance), from points in the Prairie Provinces to Lake Superior.

"(c) Cease from making and charging discriminating passenger rates to passengers in "British Columbia, and especially commercial travellers, as compared with the passenger rates "charged by such railway in other portions of Canada."

Many hearings were held and much evidence given on this complaint. The evidence was closed and final argument made on February 13th, 1912.

As it appeared to the Board that the issues raised in this complaint were intimately related to the complaints as to freight rates in Alberta, Saskatchewan, and Manitoba, West of Port Arthur, the Board, on February 15th, 1912, made the following Order:—

"THURSDAY, THE 15th DAY OF FEBRUARY, A.D. 1912.

"HON. J. P. MABEE,
Chief Commissioner.

"S. J. MCLEAN,
Commissioner.

In the matter of rates for the carriage of freight traffic upon railway lines operating in Canada West of Port Arthur:

File 18755.

"The complaint of the Vancouver Board of Trade alleging discrimination in freight rates "by the railway companies operating in the Province of British Columbia having been fully "heard and the Board having, during the progress and before the completion of that case, under-"taken a general enquiry into freight rates in Alberta, Saskatchewan, Manitoba, and Ontario "west of Port Arthur, and it appearing that the questions arising in the Vancouver Board of "Trade case are so intimately related with the rates now under enquiry in the other provinces "above mentioned that this matter cannot be satisfactorily disposed of separately—

"THEREFORE IT IS ORDERED THAT:

"1. The Province of British Columbia be added to those above mentioned and that the "said general enquiry shall extend to and cover all the freight and passenger rates in that Province.

"2. That all the evidence and exhibits as well as the argument shall form part of the record in said enquiry."

"3. That any interested party may supplement as he may desire to the said evidence and "argument."

The result is, therefore, that the Board's Judgment in this matter must be based upon and deal with not only the evidence and issues raised in the Western Freight Rates inquiry proper, but also those raised in the protracted investigation held at the instance of the Vancouver Board of Trade.

II.

Before considering the real issues presented, it is necessary to deal with some unfortunate misunderstandings as to what these issues are. There is, or rather should be, no issue whatever between Eastern and Western Canada although much has been said of railway benefits to the East and extortion practised in the West, on the one hand, and sacrifices made by the East for the West on the other.

The fact that the initial railway construction of the West was made possible by cash payments or credits contributed in large part by the East does not of itself afford the slightest pretext for a higher freight rate in the West, than in the East of Port Arthur, nor as a matter of fact is the East benefited by a high freight rate in the Western Provinces. On the contrary there is no room for question but that the opening up and railway development of the West has been of great benefit to the East, and as the railway construction in the West has benefited the East, there is no question at all but that lower freight rates from Port Arthur West will, in proportion, benefit the Eastern shippers. Conversely it is just as true that the Western producer is also interested in the maintenance of such low rates in Eastern Canada as will enable him to reach the world's markets at as little cost as possible.

The proposition cannot seriously be advanced that the West should pay the East any real or fancied debt by way of an increased or unreasonable freight rate. The injury resulting from such a rate to Eastern as against Western Canada differs only in degree. Both are alike advantaged, first, by proper and adequate transportation facilities, and, secondly, by such reasonable and fair rates as will enable all parts of the country to take the fullest advantage of such facilities, with the best measure of profit to the producers. The only interests benefited by an extortionate rate in Western Canada would be those of the railway companies.

The argument, however, has been advanced that the low rates in the East are made possible by excessive rates in the West. More extended reference is hereafter made to the rate situation in Eastern Canada, but as at the outset the Board is of the view that the suggestion that the interests of different sections

of the country are antagonistic one to the other should be dealt with apart from any question on which there could be fairly any room for difference of opinion, I now propose to discuss this argument.

The Canadian Pacific Railway Company first commenced operations in the West. The main line was opened, Montreal to Vancouver, June 28th, 1886. In this connection it is only necessary to consider the operations of the Canadian Pacific, the Grand Trunk having no western lines and the Canadian Northern no eastern lines until a comparatively recent date.

Prior to the time the Canadian Pacific commenced its operations, it is beyond all question that no proportion of western earnings went to pay eastern losses. The Board was not constituted until February, 1904, and tariffs were not completely filed until December 1st, 1904. The records of the Board, therefore, do not themselves show what changes were made in Eastern tariffs between 1887 and December 1st, 1904. The evidence, however, is that, when the Canadian Pacific commenced its railway operations east of Fort William, it simply adopted the rates then obtaining on other lines, and that eastern rates were not cut in order to hide excessive western profits that might be earned in the future or to advantage the East at the expense of the West.

Apart from the evidence, as a matter of fact the Canadian Pacific's financial position would not have admitted such a course of action. Its dividend in 1887 was 3%. This was raised in 1890 to 5%; in 1895 no dividend whatever was paid; while in 1896 and 1897 the dividend was 2½%; in 1898, 4½%; in 1899, 4%; in 1901, it was raised to 5½%; and again raised, in 1903, to 6%. These returns of themselves would seem sufficient to indicate that no voluntary benefactions were made by the Canadian Pacific to the people of the East at the expense of the people in the West; and as a matter of fact, so far as the Board has been able to discover, none were made.

III.

An examination of the different tariffs voluntarily put in by railways, or ordered by the Board, since December 1st, 1904, shows that eastern rates have in the main continued as they were before the Canadian Pacific had the undoubted advantage of Western business. Many commodity rates have from time to time been put in and withdrawn, such rates being made from time to time having regard to the exigencies of business and changes in business, in some instances making substantial reductions and in some instances, by their cancellation, substantial increases. They, however, could not, in any sense, be related to Western earnings, nor do they affect the structure of Western rates. The principal rate changes are as follows:—

Tariff filed by Order of the Board of October 10th, 1904, requiring a reduction in the rates on split peas in carloads, for export, to the basis of those on flour and other grain products for export, and resulting in a reduction of 3 cents per 100 lbs., from shipping points West of Toronto.

Under the Board's Orders of March 6th, and May 18th, 1905, the rate groups on cattle for export were readjusted, in order to remove the discrimination whereby Canadian cattle were charged higher rates from Western Ontario than American cattle passing over the same lines of railway to the same ports. This meant reductions in the rates. For example, from Windsor to Montreal the old rate was 25 cents per 100 lbs., while the new rate became 23½ cents. From London the reduction was from 25 cents to 22 cents. The rate from Peterboro to Montreal became 16 cents as against 17 cents.

In compliance with the Board's Order of July 25th, 1905, a readjustment of rates on all traffic to the Atlantic seaboard, for export, was made. This action was necessary in order to prevent discrimination, and was, as was also the Export Cattle Order last referred to, on the lines of the principles of the decision in the International Rate Case. The result was a more or less general reduction. For

example: The old rate from Toronto of 11½ cents became 11 cents; from Wingham the 13 cent rate became 12 cents, and that from Owen Sound of 13½ cents became 12½ cents; while the rate on wheat flour was made one cent lower.

In order to meet the low rates then in effect from the packing centres in the Western States the railway companies voluntarily put in a low tariff on packing house products from the Ontario packing houses to Montreal for export in October, 1905. At the opening of navigation in 1906, the Companies filed tariffs very materially raising these rates. The 1906 tariff was higher than the tariff prior to the filing of the special competitive rates of 1905. The Board's Order cancelled tariff of 1906 and required the companies to issue a new tariff which was largely similar to the old tariff, the Toronto rate remaining the same while a lower rate was ordered at Ingersoll, Brantford, and London, and a higher rate at Petrolia, Palmerston, and Harriston.

A further reduction was made by the Board's Order in the International Rate Case, which resulted in a general revision of class rates in Eastern Canada. The Board's action in this case did not turn one way or the other on the question of the Companies' financial standing, but was to remove and did remove admitted discriminations, the result of such discriminations being that the Western American shipper could use the Canadian lines at a proportionately much lower rate than the Canadian shipper could. The effect of the Order was merely to put the Canadian shipper on an equal footing relatively, so far as reasonably could be done, having regard to the different classifications obtaining in the different countries.

Typical reductions under these Orders show that the old rate from Windsor to Toronto of 40 cents became 36 cents; London to Toronto of 38 cents became 32 cents; Hamilton to Montreal of 54 cents became 46 cents; Toronto to Montreal of 50 cents became 44 cents.

Not only did discriminations exist in so far as these international rates were concerned, but allegations of serious discrimination were made based on differences in "town" tariffs, and so that all distributing centres should be able to ship on the same basis, mileage considered, these "town" tariffs were readjusted on the same mileage scales as those from Windsor, London, etc., referred to above.

The decision in the International Rate Case dealt not only with the complaint that the rates from Windsor and other similarly situated points were excessive and discriminatory as compared with the lower rates from Detroit and similarly situated points along the American frontier, but also with the complaint of the Toronto Board of Trade that the rates from Montreal westerly were discriminatory as compared with the rates from Toronto easterly. In the decision, the Detroit rates were made the maxima easterly, in so far as the differences between the American and Canadian Freight Classifications permitted.

The Detroit rate itself had been worked out as a result of the competition between American rail carriers and water carriers. The revision of the Ontario "town" tariffs was controlled by the Detroit rate so fixed as a maximum. The result of this is that the effect of the competition between American rail carriers and water carriers, which brought about the Detroit rate, is carried through the revised "town" tariff scale as directed in the decision of the Board.

Prior to September 12th, 1910, railways charged a lower rate on hogs consigned for packing purposes than charged the general public. This was objected to as discriminatory and the practice at this time ceased, with a result that reductions were made in local live stock rates in so far as the general shipper was concerned, and with a further result that the previous discriminatory practice ceased.

Examples of the reductions are as follows: Windsor to Montreal, the old rate of 32 cents became 24 cents; Toronto to Montreal, the old rate of 22 cents became 18 cents.

The Order of March, 1909, requiring railways to apply their special lumber rates to telegraph and telephone poles between points in Canada and from

Canada to points in the United States, on the ground that the rates then existing on poles were unduly discriminatory as compared with rates on lumber, resulted in reductions. For example: From Arnprior to Cornwall, an 11 cent rate became 9 cents; and from Pembroke to Rochester, N. Y., a 19 cent rate became 15 cents.

The Board's Order of May 19th, 1910, required the railways to charge the same mileage rates on ex-lake Western grain regardless of point of trans-shipment from vessel. The result was that rates were reduced; for distances of over 50 to 75 miles by ½ cent per 100 lbs., proportional reductions being made until distances over 275 to 300 miles are reached, when a reduction of 2 cents per 100 lbs., is obtained. The effect of this reduction is, of course, to facilitate the Easterly movement of Western grain. The ground on which the Board here proceeded was again that of undue discrimination, a different rate mileage basis being in effect from Montreal to points in Quebec and Ontario from that in effect from Goderich and Georgian Bay Ports.

The Board's Order of June 1st, 1911, required the railway companies to apply in Eastern Canada 4th class rates on rice in less than carload lots. The complaint here again was based on undue discrimination as well as on other grounds. The effect of this was to reduce the rates from Montreal, the principal shipping point. As for example: To Ottawa, the old rate of 24 cents became 20 cents; to Toronto, the old rate of 33 cents became 28 cents; and to Windsor, the old rate of 44 cents became 36 cents. I might point out in this connection that Vancouver is the port interested in rice shipments coming from the West. Vancouver has a special blanket commodity rate on rice extending as far East as Fort William. The Western 4th class rate from Vancouver to Winnipeg is $1.66, while the special commodity rice rate to Winnipeg is 70 cents.

A further general reduction was made by the Board's Order requiring the Companies to adjust rates on wire fencing from Montreal. The point involved was that the rates on wire fencing unduly discriminated against Montreal as compared with the rates from the similar plants at Sarnia and Walkerville. The adjustments reduced rates. For example: Montreal to Toronto, the old rate of 22 cents became 18½ cents; Peterboro, the old rate of 21 cents became 17 cents; and London, the old rate of 27 cents became 22 cents.

On the other hand, at the same time, increases have been made in Eastern rates. For example: Live stock in less than Carloads, prior to November 4th, 1905, was carried at the first class rates shown in the special or "town" tariffs. On that date supplements were issued to the various schedules making the first class standard maximum mileage rates apply, with the result, for example, that the rate of 40 cents per 100 lbs., from Windsor to Toronto became 50 cents; the old rate of 50 cents from Windsor to Montreal became 64 cents; and the rate of 30 cents from Sherbrooke to Montreal became 36 cents.

On May 1st, 1908, increased rates on lumber between points in Ontario and Quebec were put into effect. For example: the rate of 7½ cents from Midland to Toronto became 8 cents; from Wiarton to Toronto, the 7½ cent rate became 9 cents; from Ottawa to Montreal, the 6 cent rate became 7 cents; from Mattawa and Lindsay to Montreal, the 10 cent rate became 12 cents.

In 1909, the rate on fertilizers was raised by the railways for distances of 40 miles and over, with an initial increase of one-half a cent per 100 lbs., for 40 miles; and for 100 miles the rate of 5 cents per 100 lbs., became 8 cents.

In 1912, the railway companies filed tariffs advancing rates on pulpwood to points in the United States, which, after a hearing, were allowed by the Board, the general effect of which increase was to add one cent to the rate. As an example; the rate from Windsor Mills, Que., to Fort Edward, N. Y., of 8 cents became 9 cents.

In addition to these rate changes noted, the railway companies desired, instead of reducing rates in Eastern Canada, to increase them in some other in-

stances. For example: On January 1st, 1913, the railways filed tariffs cancelling the application of flour and grain mileage rates on beans in carloads; but by an Order of the Board, the former rates were restored. The result of the increase proposed by the railway companies would have been to raise the rate approximately 5 cents per 100 lbs. For example: a 20 cent rate from Windsor to Montreal to 25 cents; and a 17 cent rate from Galt to Montreal to 22 cents.

The railway companies also sought to raise the rates on metallic shingles and siding in carloads which were in effect prior to March 1901. By an Order of the Board subsequently made, the increased rates which had gone into effect were cancelled. The increase here which was stopped had resulted in largely increased rates. For example; from Toronto to Orillia a rate of 11 cents became 15 cents; to London one of 12 cents became 18 cents.

These are the principal changes which had taken place. Minor changes to local points for short distances have, of course, taken place in the East just as they have in the West. The result is that abuses flowing from undue discrimination have been rectified by the Board, but no general change has been made in the rate basis in the East except that worked by the Board's Judgment in the International Rates Case, with the further result that no reductions in any rates have been made either by the railways voluntarily, or under the Board's Order in eastern rates, as a result of railway operations in the west.

IV.

The rates in Eastern Canada may be low, perhaps at certain points too low even in view of its geographical advantages. It cannot fairly be said, however, that these low rates are in any manner the result of excessive western rates. They are practically the rates which applied long before the profits of western railway operations had anything to do with Canadian railway resources.

It may be that the inevitable result of an inquiry such as this is to raise sectional issues. They are none the less unfortunate and much to be deprecated. In my view, however, the injury worked by a railway, or by anything else, to a part of a country is in degree an injury to the whole, and that the manufacturer in Montreal would probably be as much advantaged by a general cut in freight rates west of Fort William as a shipper in Winnipeg would be. To any general principle some exceptions can, of course, be made. For example: It is undoubtedly true that, so far as the strictly local rates of the west are concerned, an excessive rate here works an injury which is peculiar to the western shipper. Although no proper evidence has been given on the point, the volume of business carried on these local rates apparently amounts to but a small part of the whole.

V.

During the investigation the Board followed its usual practice, the same course of action as was taken in the Vancouver case, and placed on the Canadian Pacific Railway Company the onus of showing that the lower tolls charged by it in Eastern Canada on similar freight and similar service than those obtaining West of Port Arthur, did not amount to an undue preference or an unjust discrimination.

This procedure is justified and indeed required by section 77 of the Railway Act, which is as follows:.

"Whenever it is shown that any company charges one person, company, or class of persons, "or the persons in any district, lower tolls for the same or similar goods, or lower tolls for the "same or similar services, than it charges to other persons, companies, or classes of persons, or "to the persons in another district, or makes any difference in treatment in respect of such com-"panies or persons, the burden of proving that such lower toll or difference in treatment, does not "amount to an undue preference or an unjust discrimination shall lie on the company."

Before discussing the details of the evidence which has been given by the railways on this particular issue of discrimination, the principles governing that question and in the light of which the evidence must be applied should now be considered.

As stated by Blackburn, J., in Great Western R. W. Co. v. Sutton, L. R. 4 H. L. at p. 237, "At common law a person holding himself out as a common carrier of goods was not under any obligation to treat all customers equally. The obligation which the common law imposed upon him was to accept and carry all goods delivered to him for carriage according to his profession (unless he had some reasonable excuse for not doing so) on being paid a reasonable compensation for so doing; and if the carrier refused to accept such goods an action lay against him for so refusing; and if the customer, in order to induce the carrier to perform his duty, paid, under protest, a larger sum than was reasonable, he might recover back the surplus, beyond what the carrier was entitled to receive, in an action for money had and received, as being money extorted from him.

"But the fact that the carrier charged others less, though it was evidence to shew that the charge was unreasonable, was no more than evidence tending that way. There was nothing in the common law to hinder a carrier from carrying for favored individuals at an unreasonable low rate, or even gratis. All that the law required was that he should not charge any more than was reasonable."

The obvious objections to such a condition have been from time to time dealt with by legislation in Canada and the existing statutory provisions are contained in the present Railway Act. The scales of tolls are now fixed by tariffs filed with the Board, and the duty to carry is subject to the payment of these tolls whether reasonable or not until they are altered by subsequent tariffs, filed either voluntarily by the carrier or as directed by the Board.

Provision is further made that the tolls shall be charged equally so as to prevent unjust discrimination either between individual shippers or different localities, section 315 of the Act reading as follows:

"All such tolls shall always, under substantially similar circumstances and conditions, in "respect of all traffic of the same description, and carried in or upon the like kind of cars, passing "over the same portion of the line of railway, be charged equally to all persons and at the same "rate, whether by weight, mileage, or otherwise.

"2. No reduction or advance in any such tolls shall be made, either directly or indirectly, "in favor of or against any particular person or company travelling upon or using the railway.

"3. The tolls for larger quantities, greater numbers, or longer distances may be proportion-"ately less than the tolls for smaller quantities or numbers, or shorter distances, if such tolls are, "under substantially similar circumstances, charged equally to all persons.

"4. No toll shall be charged which unjustly discriminates between different localities.

"5. The Board shall not approve or allow any toll, which for the like description of goods, "or for passengers carried under substantially similar circumstances and conditions in the same "direction over the same line, is greater for a shorter than for a longer distance, within which "such shorter distance is included, unless the Board is satisfied that owing to competition, it is "expedient to allow such toll.

"6. The Board may declare that any places are competitive points within the meaning of this Act."

The effect of this section is to provide that, in so far as the same portion of the line of railway is concerned, all tolls charged under substantially similar circumstances and conditions for the same traffic and upon the like kind of cars shall be charged equally to all persons and at the same rate and without further reduction or advance.

A qualification is made which enables the company to charge a smaller toll for larger quantities, greater numbers, or longer distances, so long as the reduced toll is under similar circumstances available to all persons. Sub-section 4 extends the principle of equality to different localities. The principle is adopted but has not in this instance been extended by Parliament to the same extent. Under it discrimination is justifiable as between different localities so long as it does not amount to an unjust discrimination; while under the previous sub-

sections traffic of the same description moving over the same portion of the railway under like conditions must be carried under tolls charged equally to all persons and at the same rate basis.

Sub-sections 5 and 6 are the long and short haul sections, the effect of which is to permit a reduced charge on movements to a competitive point, even although that reduced charge is smaller than the charge made for carriage for lesser distances along the same line to intermediate points. The sub-sections are sections which directly recognize the necessity, in proper cases, of operation at a reduced toll justified by competitive conditions. The result is, therefore, that lesser tolls may be legal under such circumstances, and that a discrimination may exist between different localities without such discrimination amounting to an illegal practice.

The principle of equality is again extended by section 317, the material part of the section being as follows:

"All companies shall, according to their respective powers, afford to all persons and companies all reasonable and proper facilities for the receiving, forwarding, and delivering of traffic upon and from their several railways, for the interchange of traffic between their respective railways, and for the return of rolling stock.

"2. Such facilities to be so afforded shall include the due and reasonable receiving, forwarding and delivering by the company, at the request of any other company, of through traffic, and, in the case of goods shipped by carload, of the car with the goods shipped therein, to and from the railway of such other company, at a through rate; and also the due and reasonable receiving, forwarding, and delivering by the company, at the request of any person interested in through traffic, of such traffic at through rates.

"3. No company shall,—

"(a) make or give any undue or unreasonable preference or advantage to, or in favor of any particular person or company, or any particular description of traffic, in any respect whatsoever;

"(b) by any unreasonable delay or otherwise howsoever, make any difference in treatment in the receiving, loading, forwarding, unloading, or delivery of the goods of a similar character in favor of or against any particular person, or company;

"(c) subject any particular person, or company, or any particular description of traffic, to any undue, or unreasonable prejudice or disadvantage, in any respect whatsoever; or,

"(d) do distribute or allot its freight cars as to discriminate unjustly against any locality or industry, or against any traffic which may originate on its railway destined to a point on another railway in Canada with which it connects."

The effect of the section is then to extend the principle of equality to facilities to be supplied by the railway, and its treatment of shippers. The section, however, is not as positive in its terms as sub-section 1 of section 315. Preference to any particular shipper is not forbidden, probably for the reason that it would be impossible that any large business such as freight transportation could be carried on handling each particular consignment of goods in turn perhaps having regard to date of order or time of delivery; but the preference must not be either undue or unreasonable.

With regard to this question of the possibility of equality, the late Chief Commissioner, the Honourable Mr. Blair, in his Judgment in the Stamford Junction Case, 3 C.R.C. 256 at pp. 259 and 260 states:

"It is not in the nature of things possible to secure anything like absolute equality of treatment to all persons who use the railways, or even like treatment to all who are using the same railway. The general public have theoretically a right to complain if the people in one or more sections of the country served by a particular railway are given a better service than the people of other sections; but with every desire on the part of the railway company to accord equally fair treatment to all patrons over its entire system, circumstances and conditions are too controlling, oftentimes, to be resisted or overcome."

I know of no case where the exact question has been determined, but am of the opinion that having regard to the admitted object for which the Section must have been enacted, that is to secure, in as far as practicable, equality of treatment, that any practice the direct result of which would be to favor one shipper as against another, would constitute an undue or unreasonable preference or advantage, and be within the meaning of the Act; in other words, that

the effect of the Section is to remove, in so far as practicable, the possibility of different treatment of shippers or any particular description of traffic as against another, recognizing the fact that absolute equality, either in so far as treatment on the one hand or facilities on the other is concerned would be impracticable. The jurisdiction of the Board in dealing with the question is to be found in Section 318 of the Act, which is as follows:

"The Board may determine, as questions of fact, whether or not traffic is or has been carried "under substantially similar circumstances and conditions, and whether there has, in any case, "been unjust discrimination, or undue or unreasonable preference or advantage, or prejudice or "disadvantage, within the meaning of this Act, of whether in any case the Company has, or has "not, complied with the provisions of the three last preceding sections.

"2. The Board may by regulation declare what shall constitute substantially similar cir-"cumstances and conditions, or unjust or unreasonable preferences, advantages, prejudices, "or disadvantages within the meaning of this Act, or what shall constitute compliance or non-"compliance with the provisions of the three last preceding sections.

"3. For the purposes of the last preceding section, the Board may order that specific works "be constructed or carried out, or that property be acquired, or that specified tolls be charged, "or that cars, motive power or other equipment be allotted, distributed, used or moved as specified "by the Board, or that any specified steps, systems, or methods be taken or followed by any "particular company or companies, or by railway companies generally."

It will be observed again that the discrimination the Section aims at is unjust and the preference undue or unreasonable.

No case seems to have arisen in which the Board has found it necessary to make the regulation contemplated by Sub-section 2 of the Section, although Sub-section 3 has been from time to time acted on and cars and other facilities supplied under the Board's order.

Section 319 to some extent limits the effect of Section 317, in that it provides that in order to arrive at the question as to whether a lower rate or difference in treatment amounts to an undue preference or an unjust discrimination, the Board may consider whether the lower toll or difference in treatment is necessary for the purpose of securing in the interests of the public the traffic in respect of which it is made, and whether such object cannot be attained without unduly reducing the higher tolls.

The recognition of the legality of tolls lower than standard rates when necessary to be put in force in order that a particular commodity may move, if such movement is in the public interest, is a material exception to the general scheme of equality. The Section practically follows Section 27 (2) of the Railway & Canal Traffic Act enacted by the Imperial Parliament in 1888, but confers a wider discretion on this Board in that the provision of the statute of the Imperial House, which provided that no railway company should make, or the Court of Commissioners sanction, any difference in the tolls, rates, or charges made for, or any difference in the treatment of home and foreign merchandise in respect of the same or similar services was struck out.

Under this Section the English Courts have not only recognized the necessity of low rates resulting either from water or rail competition, but also the necessity of rates otherwise discriminatory justified on the simple ground that, in the public interest, certain commodities should move to certain centres when, apart from such low rates, no movement would take place.

It has been further decided that the "public," whose interests are to be considered, is not the general body politic, or the interests of shippers over the country as a whole; but that,

"the public intended is the public of the locality or district affected, and that any consider-"able slice of the population in general as opposed to an individual or association of individuals "will satisfy the description."

Reference may be had to the Liverpool Corn Traders' Association vs. G.W.R., 8 R'y. and C.T.R. 114; Pickering, Phipps, and others vs. L. & N.W. R'y. Co., 8 R'y. & C.T.R. Cases 83. Castle Steam Trawlers vs. G.W. R'y. Co., 13 R'y. & C.T.R. Cases, 145.

It may well be said that some of the sections noted have no direct bearing on the issue in this case. They are useful, however, in making clear the intention of Parliament that, in so far as the discrimination between localities is concerned, discrimination is not of itself an offence against the Act until it becomes undue or unjust; and further, that, in considering rates on different classes of goods, a lower toll or a difference in treatment can be justified where it is necessary for the purpose of securing in the interests of the public the traffic in respect of which it is made.

With reference to the sections dealing with the matter of discrimination, consideration has to be given to certain sections of the Act containing general provisions respecting carriage. Section 341 provides as follows:

"Nothing in this Act shall be construed to prevent,—

"(a) the carriage, storage or handling of traffic, free or at reduced rates, for the Dominion, "or for any provincial or municipal government, or for charitable purposes, or to or from fairs "and expositions for exhibition thereat, or the carriage free or at reduced rates, of destitute or "homeless persons, transported by charitable societies, and the necessary agencies employed in "such transportation;

"(b) the issuing of mileage, excursion or commutation passenger tickets, or the carriage "at reduced rates, of immigrants or settlers and their goods or effects, or any member of any "organized association of commercial travellers with his baggage;

"(c) railways from giving free carriage or reduced rates to their own officers and employees, "or their families, or to former employees of any railway, or for their goods and effects, or to "members of the provincial legislatures or of the press, or to members of the Interstate Commerce "Commission of the United States and the officers and staff of such commission, and for their "baggage and equipment, or to such other persons as the Board may approve or permit; or,

"(d) the principal officers of any railway, or any railway or transportation company, from "exchanging passes, or free tickets with other railways, or railway or transportation companies, "for their officers and employees and their families, or their goods and effects; provided that "the carriage of traffic by the company under this section may, in any particular case, or by "general regulation, be extended, restricted, limited or qualified by the Board."

The result is, irrespective of the provisions providing for equality, among other exceptions, that free or reduced rates may be charged the Dominion or any provincial or municipal government, or for charitable, exhibition purposes, transportation of destitute or homeless persons, the issuing of passenger tickets in certain instances at reduced rates and the carriage of emigrants and settlers and their effects at reduced toll is permitted.

Section 342 provides that:

"Notwithstanding anything in this Act, the Board may make regulations permitting the "company to issue special rate notices prescribing tolls, lower than the tolls in force upon the "railway, to be charged for specific shipments between points upon the railway, not being com-"petitive points, if it considers that the charging of the special tolls mentioned in any such notices "will help to create trade, or develop the business of the company, or be in the public interest, "and not otherwise contrary to the provisions of this Act.

"2. Every such special rate notice, or a duplicate copy thereof, shall be filed with the Board, "and shall exist merely for the purpose of giving effect to the special rate charged for the specific "shipment mentioned therein."

The late Chief Commissioner, the Honorable Mr. Blair, in considering this latter section states in re Canadian Freight Association and Industrial Corporations, 3 C.R.C., p. 428:—

"No doubt, Parliament intended, in enacting this clause, to introduce an element of elasticity "into the freight clauses of the Act, and to empower the Board, in the exercise of a wise discretion, "to modify the rigid interpretation which it would otherwise be compelled to place upon the "clause relating to discrimination."

The provisions of the Act under consideration have frequently been considered by the Board. The late Chief Commissioner, Hon. Mr. Mabee, found in his Judgment in Wegenast vs. Grand Trunk Railway Company, 8 C.R.C. 42, that:

"The Act recognized the right of a railway to discriminate between points, it is only unjust "discrimination or undue preference that the Company is required to prove itself free from— "It may be that Oakville has to a small extent profited by these reduced fares; it may be that "Brampton would profit to an equal or greater degree if they are enforced between Toronto "and that Town; but the question is whether Oakville has profited at the expense of Brampton, "and I am of the opinion that such has been shown not to be the case."

In his Judgment on the re-hearings of the same issue of the same question reported in the name of Toronto and Brampton vs. G.T.R. and C.P.R. Cos., 11 C.R.C. 370, Mr. Justice Mabee states:

"I do not understand that there is anything wrong or evil in discrimination, so long as it "does not hurt anybody. The evil of it, as I understand it, is that because persons or localities "are discriminated against it results in unfair play and injury to the individuals or to the localities "affected. In the absence of any injury to individuals or localities what difference does it make "whether there is discrimination? The Railway Act, as I understand it, authorizes and justifies "discrimination. It is only an undue, unfair, or unjust discrimination that the law is aimed "against."

Group or blanket rates are in many instances necessary in the public interest. They lend themselves particularly, for example, to ease in the movement of coal. Such a rate must of necessity result in a certain amount of discrimination. So long, however, as such discrimination is not undue, such rates have been held both by this Board and by the Interstate Commerce Commission to be lawful. (Desel-Boettcher Co. vs. Kansas City Southern Railway Company, 12 I.C.R 222. Malkin v. G.T.R., 8 C.R.C. 183.) Reference may also be made to the Commercial Club of Hattiesburg v. A.G.S.R.R.Co., 16 I.C.C. 545.

A higher rate on branch lines has also been allowed, the late Chief Commissioner, the Honorable Mr. Blair, holding that branch line freight rates may be on a higher basis than main line freight rates to shorter distance points, so long as the rates are not unreasonable or disproportionately higher. (Almonte Knitting Co. v. C.P.R. and M.C.R. Coys., 3 C.R.C. 441.)

This principle has been since followed by the Board, and it has also been followed by other rate-making commissions.

So far as water competition is concerned, it has been recognized over and over again that the extent to which water competition shall be met is in the discretion of the railway. The Board has also held that it is the privilege of a railway in its own interest to meet water competition, and further that it is not the privilege of the shipper to demand less than normal rates because of such competition, unless the railway in its own interest chooses to meet it. This principle of water competition has been again recognized practically by all rate-regulating commissions. Reference, however, may be had to the Board's Judgment in Canadian Oil Cos. v. G.T., C.P., and C.N.R. Cos., 12 C.R.C., 351, and the Blind River Board of Trade Case, 15 C.R.C. 146.

This Board has also held that it is in the discretion of the railway whether it shall or shall not make rates to meet the competition of markets. (Montreal Produce Merchants' Association vs. G.T.R. and C.P.R., Cos., 9 C.R.C., 232. British Columbia Sugar Refining Co., v. C.P.R. Co., 10 C.R.C. 171).

The same principle has been adopted by the English Railway & Canal Commission in Lancashire Patent Fuel Co. v. London & N.W. R'y. Co., 12 Ry. & C. Tr. Cases, 79.

Large apparent discrepancies in rates have also been justified as between a forwarding and a local rate. For example, the Board held in King vs. C.P.R. Co., 9 C.R.C. 207, that a rate of 13 cents on grain products and vegetables from Franklin, Man., to Fort William, a distance of 550 miles, was not a discriminatory rate as against a rate of 13 cents from Franklin to Winnipeg, a distance of 126 miles, on the ground that the rate to Fort William was a division of the through rate concerned with a through rate to an eastern market, and that it, therefore, could not be taken as a measure of the reasonableness of a local rate from Franklin to Winnipeg.

On the question as to what other issues are proper issues for consideration in determining whether rates are or are not discriminatory, in a case where the complaint of one sugar refining company showed that lower rates had been afforded another refinery, and were alleged to create an unjust discrimination, the Board held in considering whether the admitted discrimination amounted to an unjust preference, that it should take into consideration (1) whether there was actual competition in the same market between the companies; (2) the question whether the nature of the traffic justified the discrimination; and (3) the effect, if any, of the rate arrangement on the consumers. The Board's holding was that while there was discrimination, it was not undue or unjust. (Michigan Sugar Co., v. Chatham, Wallaceburg & Lake Erie R'y. Co., 11 C.R.C. 353.)

It has also to be borne in mind that any special rate, such as those contained in town tariffs or commodity rates, of necessity results in some discrimination. Commodity tariffs, under which the large bulk of the country's merchandise moves, work a two-fold discrimination. In the first instance, a discrimination in favor of shippers of a particular class of merchandise from points where the volume moving justifies a commodity rate as against shippers of the same commodity at points where no commodity rate exists; and, secondly a discrimination in favor of the article carried at the commodity rates as against articles of a kindred nature which might come more or less into competition with the article moving under the commodity rate. The effect of the town tariff is to give an advantage, of course, to a distributing centre as against similar stations within the area in which goods are distributed under a town tariff scale.

Discr.minations of this class are undoubtedly those which require the elasticity of treatment which, as pointed out by the former Chairman, the Honorable A. G. Blair, the Act is framed to permit.

Whatever theoretic justice might demand, I am of the opinion that, at the present time, it would be against public interest to interfere with the principle of town tariffs under which many distributing centres, particularly in the West, have been able to meet the competition (in those territories which, geographically, they should enjoy) of the well-established distributing centres in the east. In like manner, and as a result of the same practice, doubtless, other distributing centres will spring up as and when the economic distribution of merchandise demands their advent.

So far as commodity rates are concerned, the special low rates on articles which in some instances probably could not move at the regular rate, are essential to public welfare. They are required in respect of all commodities bulky in character of low cost, and moving in large volume.

The result would seem that it is practically impossible to formulate any hard and fast principle which would determine when and where discrimination ceased to be harmless and became undue. Each particular case must be considered on its own merits with a view of determining whether the discrimination complained of is undue, unfair, or unjust after a review of the different matters open to the Board's consideration under the statutes and authorities noted.

VI.

On the issue of discrimination there is no doubt whatever that disparity of rates exists. While the railway companies plead a greater diversity of traffic, better traffic conditions and return loads, and a lower wage schedule in the East than in the West, there is to my mind no question but that these different factors and their effects are of necessity mirrored in the companies' returns, and are more than compensated for by the long average haul and lower terminal expenses that obtain in the west.

It is true, also, that it has been very vigorously contended, on behalf of the railway companies, that it is impossible to compare the receipts which have been divided arbitrarily by the Canadian Pacific, and as it is alleged purely for

bookkeeping purposes, between the different divisions. It is also true that it has been practically generally admitted that the sub-division of receipts the Canadian Pacific has made among the different divisions is arbitrary and does not of necessity disclose the real earning of any division. For example, prorating receipts on a mileage basis of a shipment of silk carrying as it does a high rate of freight, received by the Canadian Pacific at Vancouver and necessitating a complete terminal charge at Vancouver, cannot be said to give the British Columbia division a fair share. While that division bears the initial terminal costs, its mileage is comparatively small, and the result of the method adopted in arriving at receipts is that, on this particular shipment British Columbia, which properly would be entitled to a relatively larger proportion of credit, as the freight originates with it, receives as a matter of fact, owing to its comparatively small mileage, less than one-half what the Manitoba Division would be credited with, although in the case of silk the Manitoba Division would be at no terminal expenses whatever, as the movement is a fast through movement all rail to the East. The same may be said of any other through fast freight such as the fish traffic, which is important, originating in British Columbia.

A more striking instance of the manner in which the application of the prorating principle works out is shown by the Lake Superior Division, which is in Eastern Canada. This division running as it does in great part through a wild and practically unsettled country, accompanied with great operating difficulties, and with, of course, the lowest production of local tonnage per mile of line of any part of the C.P.R., nevertheless is shown to make good returns. It has been called by all Counsel engaged in this inquiry a bridge over which commerce is compelled to move, the simile of a bridge, of course, being employed by reason of the fact that practically no more local traffic is obtained than would be found in running over a bridge, which, of course, is nothing. Yet as a result of the manner in which the railway's accounts have been divided, and which have been adopted by counsel for the different complainants, the Lake Superior Division is shown to be highly productive, the returns for example of 1911 crediting that division with a net operating revenue of $4,731,287.44, only exceeded by that of Manitoba and Alberta, while Saskatchewan's net operating revenue is shown as $3,745,071.12, a division producing a very large proportion of Western traffic. On its face, of course, these figures would show the Lake Superior Division to be profitable, and one on which a comparatively low local freight rate should be enjoyed, leading, of course, to an absurd conclusion.

As a matter of strict accuracy, it is almost impossible to divide one company into eight divisions in such a manner as to really make those divisions in effect eight companies, which would, of course, insure a proper system of credits being granted, and which would undoubtedly give proper credit to districts originating freight.

As pointed out by Mr. Cowan when arguing that Saskatchewan and Alberta were entitled to as favorable rates as Manitoba, the divisions, as divisions, are practically worthless for rate-making purposes, and are not governed even by provincial boundaries. The Manitoba Division includes on the one side 329 miles of main line situated in Ontario, over which section the business of Saskatchewan and Alberta as well as Manitoba has to pass, and on the other includes 292 miles in Saskatchewan, the earnings of which Saskatchewan should properly be credited with if provincial boundaries could be considered in making rates. It is also true, as pointed out by the railways, that the divisions of to-day might be entirely changed to-morrow. While all this is so,—while intermediate divisions under the present basis undoubtedly obtain an undue credit, and, except in cases where a terminal movement in the intermediate division is necessary for the through traffic, obtain the benefit of a decreased operating cost,—to my mind there is no doubt that the division may fairly be taken in a general way, and subject undoubtedly to very considerable percentage of error and variation, as comparatively illustrating the results of the traffic in the different sections of Canada.

The heaviest traffic in Western Canada is on the lines of the Canadian Pacific. Exhibit 112, filed by Mr. Cowan, shows that its density of traffic in 1912 expressed in one thousand revenue ton miles per mile of road amounted to 945.

The heaviest traffic in the East is on the Grand Trunk. The same Exhibit shows that for the same year a similar return amounts to 1,052, approximately 10% greater than the results obtained by the Canadian Pacific in the West.

The actual results per mile of track are much more useful for comparative purposes than the consideration of paper rates on which traffic may never move.

I am satisfied that, notwithstanding a slightly smaller density of traffic per mile of track, the returns to the Canadian Pacific, as a result of higher rates enjoyed by it in Western Canada than the rates which the Grand Trunk collects, obtain for the Canadian Pacific very much more favorable financial returns.

As the Canadian Pacific rates in the East are similar to those of the Grand Trunk, the rate standards being the same for both railways, the Canadian Pacific charges rates, as a whole, materially higher in the West than in the East. Apart altogether from any reference to the Grand Trunk returns this fact is made apparent on a review of the Company's tariffs and is not really disputed.

VII.

It is contended, however, by the railway companies, that the Canadian Pacific rates in the East are compelled by the result of water competition on the one hand and railway competition on the other.

In so far as the eastward movement of freight is concerned within a territory extending from Windsor and Sarnia on the West to ocean ports, there undoubtedly is a real and effective railway competition afforded by American lines. In the first instance, this competition was effective only from points in close proximity to the border. Its effect was lost just as soon as the short haul on the Canadian line plus the rate on the American line to destination equalled what would have been the direct prevailing rate on the Canadian line. The competitive zone was enlarged by the operations of the Michigan Central and the Wabash Railroads through Ontario to Buffalo, with the result that a large proportion of the traffic of Ontario became affected by and subject to the competition of the American Railways. Anomalies existed and direct discriminations were practised by the railways in connection with this situation. These were rectified by the Judgment of the Board delivered by the late Chief Commissioner, the Honourable Mr. Killam, in the International Rate Case. The competition was then recognized by the Board. It still exists and to-day justifies low rates in the territory subject to it.

In the matter of water competition there can be no doubt at all as to the efficiency of the water-ways spread through Eastern Canada from its Easterly coast and terminating with the western limit of the most westerly division of the East—at Port Arthur and Fort William.

It should, however, be borne in mind that while water competition is urged as being a reason for a low rate standard in the East, the water rate with resultant low freight has probably played a greater part than any other factor in the prosperity of the West. The additions to water facilities which from time to time have been made are largely demanded by the necessities of providing the cheapest and quickest outlet for the ever-increasing productions of Western Canada. This affords but an additional instance of the fact that the interests of Eastern and Western Canada are closely interwoven, and that an enforced lower rate structure in the East is not as much productive of injury to the West as has been claimed.

In his considered argument, Mr. Cowan, dealing with this issue, states:—

"There was one reason advanced, and that reason was water competition. That is, water "competition in Eastern Canada that did not prevail in Western Canada, and there is no use de-"nying the fact that in Eastern Canada there is water competition, and that at some points "that water competition is quite strong.

"The law from the time of the Railway Act where any governing body has attempted to "control railway rates, has recognized that principle of water competition. It has been engrafted "in every statute that I know of in which controlling power over rates was given, by which a "railway company is entitled to charge more for a shorter haul than for a longer haul when the "destination of that traffic and its origin are between two water competitive points. That is, "that that traffic, if not carried by the railway from origin to destination at the rates put in, "would or might be carried by the water carrier. The Pacific Coast furnishes a prominent ex-"ample for water competition. It is well known that the rates to San Francisco, Portland, and "Seattle south of the border in the American States, and to Vancouver in Canada, are lower "than they are to inland points many, many miles distant. The force of that was so great that "I remember an application being made to the Board of Railway Commissioners by the Elder-"Dempster Line, that the export rate should be applied, or they should have the benefit of the "export rate to Vancouver out of Montreal. Traffic can go down to St. John and there travel by "the Elder-Dempster Line to Mexico and be transported over the Tehauntepec Railway in "Mexico and then transhipped by boat up the Pacific Coast.

"It was properly laid down, and the authorities are pretty well collected in the Spokane "Rate Case, that railway companies are actually justified in hauling freight through a City or "through a Province and charging a higher rate than they do to the point of destination hundreds "of miles beyond. But while that principle is laid down and recognized,—and I am not disputing "it for a moment, neither am I disputing the fact that there is strong water competition at points "in the Provinces of Ontario and Quebec—the limitations within which that can be used as an "excuse for making rates are quite as well and as clearly defined. - - - - - - - - - - -

"A railway company is not justified because, say from Montreal to Cornwall on the Grand "Trunk Railway there is water competition, and whatever that distance may be, in applying "the same rate to Winchester, 17 or 18 miles away from the railway, trying thereby to equalize "the commercial and the market conditions, and then when we point out that in the Western "Provinces we are giving them a greater volume of traffic per mile, and that they are carrying "it at a cost much less than between Montreal and Winchester,—they are not justified in answer-"ing that there is water competition between Montreal and Cornwall."

Winchester, which, of course, is merely taken as an illustration by Mr. Cowan, is a point lying to the North of Cornwall and some 17 or 18 miles away from it on the line of the Canadian Pacific, Cornwall being a station on the line of the Grand Trunk. The stations are practically in the same territory so far as distribution is concerned. Business could not be very well worked up along the line of the Canadian Pacific should a higher rate be charged by that company than that forced on the Grand Trunk by water competition at Cornwall, where water competition, either real or potential, certainly exists.

Mr. Cowan, of course, did not argue that a point had to be actually on water to be influenced by water competition. Manifestly, apart from any question of building up business along any particular line of railway in a zone in which freights carried on a water compelled rate are distributed, the rate to the more remote points would always be influenced by the water borne rate on long hauls plus the cost of transportation from the nearest water borne points to that under consideration. For example, the rate from the East to Winnipeg is influenced in a very large part by water, although Winnipeg is 410 miles from the end of that water route. And, in like manner, shipments from a Manitoba farm obtain for the larger part of their Eastern movement the full benefit of water competition.

The issue seems to be well settled by a conversation between Mr. Commissioner McLean and Mr. Cowan during the argument:

"*Commissioner McLean:*—Then there is potential competition you would say wherever the "combination of water rate plus the rate to the point beyond is met by the railway?

"*Mr. Cowan:*—Yes.

"*Commissioner McLean:*—Potential or actual.

"*Mr. Cowan:*—Yes."

Of course, so far as a point like Winchester is concerned, it would be rather absurd to say that a rate to Winchester in any way discriminates against any Western point say for example Portage La Prairie, in any sense. That question is dealt with by Mr. Cowan as follows:

"Now, I am not saying that goods shipped from Montreal to Winchester, or to any other "point in the Province of Ontario, in the real sense discriminates against a point in Saskatchewan "or Alberta, but our statute then steps in and says, 'Considering the large powers which you have " 'got, and you are a transportation company and a public utility, you shall treat communities " 'alike.' "

If there is no discrimination in any real sense, the question would seem to be at once governed by the decision of the Board in the Brampton case against the argument advanced for Saskatchewan and Alberta. I think, however, that apart from any matter of precedent, the only manner in which this whole issue should be approached is one of broad equity. That broad equity would seem to me to be that had any injustice been done to or wrong practiced on the West by rates said to be based on water competition at Winchester and other places similarly situated that injustice should be remedied. The justification of a rate otherwise discriminatory placed in force to meet water competition is very simple. For the sake of illustration, I assume a railway in operation carrying on business of a million cars, that the average return from the operations amounts to $30.00 a car; that the actual average operating expenses per car are $15.00, the remaining $15.00 being necessary for overhead and capital charges; and that territory in which the whole earnings were made was at non-competitive points, the railway not having desired to meet water competition on its line, therefore getting no freight in the district so controlled. Under these circumstances, if a rate of $20.00 be put into force in districts controlled by water competition; and under which an additional business of 500,000 cars moved at an average return of $20.00, with the like operative cost of $15.00, how can it be said that the original shippers are in any way injured?

In this instance the railway is certainly losing nothing by meeting water competition; the $20.00 rate is in excess of the actual operating cost, and a further sum of $2,500,000.00 is available in reduction of the overhead charges, which, in the first instance, had to be borne entirely by the original traffic on the line. In like manner, unless the contention is that the Canadian Pacific is carrying its traffic at a loss in Eastern Ontario, which assumption, apart from the Atlantic Division, would be directly against the arguments of all Counsel in support of the complaints, arguing, as they all have, that the rates in Eastern Canada are remunerative and should be adopted as rates for the West, a rate to Winchester and similar points which will permit traffic to move and enable the railway to earn something over and above operating costs is in ease of the whole situation, in view of the fact that the complaint now considered is of discrimination against the West.

VIII.

The Company's operations on the Atlantic Division, however, require further consideration. They are insufficient to cover actual operating expenses, and, therefore, throw an additional burden on shippers on other parts of the line in order that the deficiency, resulting from the loss of operation, may be made up.

The rates in the Maritime Provinces are low, not only as a result of water competition, but also as a result of rates obtaining on the Intercolonial, whose operations have largely resulted in deficits.

If there were no other factors in the rate situation, the West might well suggest, as the Company is making a loss in the actual operation of the road, that the service should be abandoned, rather than that the West should be called upon to pay any share of the result of operating deficit. As a matter of fact, however, the interests of the Western Provinces instead of being injured by the rate situation, which brings about the resultant deficit, are, on the other hand, advantaged.

The benefit of railway operation in any one Province cannot be considered as advantaging that Province alone. In every Province the line is performing the functions of a National not a Provincial undertaking, and its continued activities are necessary in the interests of the country as a whole.

The total ton mile movement on the Atlantic Division was 327,620,915 for the year 1912 (Exhibit 41, page 33). The average rate per ton mile was 64/100 of a cent. Out of this total, 76,239,296 ton miles represented the grain movement,

and 37,313,886 ton miles represented the movement of flour and other mill products, making a total movement of grain and its products of 113,553,182 ton miles, or 34% of the total movement.

The relative low average return per ton mile of 64/100 results largely from the special rates applying on grain and its products. Out of the whole total of tons of grain, flour, and mill stuffs actually handled, and which amounted to 397,155 tons, only 13,677 tons originated in the Atlantic Division, (Exhibit 31, Series F, page 6), or less than 3½ per cent., with the result that grain and flour shipments (apart from the local production), in which the West is so vitally interested, obtained the benefit of over 94½ per cent. of the volume of traffic moving at the cheap rate.

The average return per ton mile of grain is given by the Company in its Exhibit 41 as 30/100 of a cent per ton mile, and on flour and other mill products as 31/100 of a cent per ton mile.

These rates may be contrasted with rates on some of the larger movements shown in the division on rough and heavy articles. For example: A rate of 1.34/100 of a cent on hay; lumber and square timber (a furtherance rate), 86/100 of a cent per ton mile; anthracite coal, 92/100 of a cent per ton mile; bituminous coal, 78/100 of a cent; live stock, 95/100 of a cent; pressed meats, 75/100 of a cent; raw cotton, 53/100 of a cent.

The effect of the grain and grain products rates projected into the total derived from the transportation of products of the character mentioned, brings down the average rate per ton mile to 46/100 of a cent, while the average per ton mile rate of all other revenue billing amounted to 79/100 of a cent, the rate applicable to the total movement being as before stated 64/100 of a cent.

These figures have not been attacked, but the Board has had a calculation made itself based on an actual movement from Regina to St. John, a distance of 2,263 miles. The distance on the Atlantic Division is 306 miles, or a percentage of 13.52. The rate, Regina to St. John, is 41 cents, and the rate per ton mile earned on the Atlantic Division is 36/100 of a cent.

Although no issue has been raised by any of the complainants as to the reality of water and Intercolonial competition on this division, this rate may be contrasted with rates on wheat originating in the division. It is true that not much grain originates in the division, the whole total, as already noted, only amounting to 13,677 tons, and further that the long haul on Western wheat entitles it in any event to a lower rate. At the Regina rate, however, the charge from Woodstock, N.B., to St. John would be 2½ cents per 100 lbs., while the rate applicable on the Company's tariffs is 15 cents.

The result is that the Western Provinces, producing as they do grain and flour, and interested as they are in a cheap furtherance rate, not only within their own borders, but to the seaboard, instead of being injured are largely benefited by the scale of rates applicable on the Atlantic Division.

This is again but another evidence of the fact of the similarity of interest that exists in the country, and the mistake that has been made in this case of treating the rate situation very largely from a local or Provincial standpoint.

IX.

There can be no doubt whatever, as I have already pointed out, of the fact that, generally speaking, water competition in the East is effective. Practically no exception has been taken to the proposition, with the exception of certain points in Ontario, so far as New Brunswick and Nova Scotia are concerned, no argument whatever was advanced against the justification of a water compelled rate. The position was the same as to Quebec; but in Ontario Counsel have pointed out that there are certain parts of Ontario which cannot be affected by water competition, illustrating, for example, points like Stratford and St. Thomas.

The first settlement in Eastern Canada was made along the water route, and the large centres of population, as well as of production, are to-day situate upon it. The result is that by far the greater part of the railways' business in Eastern Canada is on the line of water communication. It is, on the other hand probable that certain sections in Ontario in particular cannot be said to be fairly entitled to direct benefit from the water competition. That state of affairs, however, could not afford a proper or sufficient reason why this Board should order that Western rates should be reduced to a parity of Eastern rates simply because a lower rate basis had been adopted in so far as a comparatively small part of traffic moving in the Eastern territory is concerned, especially in view of the fact that some of this traffic is subject to the effect of the American competitive rail rate.

The issue has been presented in the large. It cannot be decided on the question whether at a comparatively few points in the East undue effect has been given to competitive features. No evidence was given directed to the amount of traffic at such points, or the importance of rates said to be out of scale having regard to public interest or the effect, if any, on other centres nor the result worked by rates out of the scale on the Company's revenues.

In the same way no attention is paid to the fact that certain rates in the West are lower than those in the East, as they are entirely lost in the general aggregate of higher rates.

The question is whether the tolls charged in Eastern Canada as a whole compared with those charged in Western Canada as a whole do not unjustly discriminate against Western Canada, or, on the other hand, result in an undue or an unreasonable preference or benefit to Eastern Canada.

The Board's experience in dealing with the railways leads to the belief that railway companies are just as anxious to get as good a rate in the East and to maintain a position of advantage in the East as they are in the West. The Grand Trunk Railway Company, confined as it is to Eastern Canada, is just as insistent in maintaining its revenues as the Canadian Pacific can be said to be in maintaining its revenues in Western Canada.

If the Board were to admit the contentions that Eastern rates are not rates in the large compelled either by water or by the competition of American lines, but are voluntary rates, the Board would in effect find that the management of the Grand Trunk instead of desiring to make as much money as possible for its shareholders was a philanthropic association engaged in business for the benefit of its shippers.

There was practically no rate regulation in Canada prior to 1904. It is a matter of common knowledge that the operations of the Grand Trunk down to this time or indeed subsequently were accompanied with financial results that were far from satisfactory to its shareholders.

It is extremely hard to believe that if the railway management had any concern in its profits (as of course it has) and could have raised rates, and at the same time continued to do business in a proper volume, that the rates would not have been raised. It is also extremely difficult to think that the same Canadian Pacific Directorate, pictured as anxious to make an undue profit cut of the West, would maintain such rates in its Atlantic Division, the result of which rates is that not only does that portion of the railway show no return of profit to the Company on its investment, but is accompanied by an actual loss in operation, unless the Company found it impossible to increase its rates.

Approaching the question further on the ground of self-interest, it is very hard to understand why the Canadian Pacific should discriminate against that part of the country in which, in the first instance, almost all its assets, and at the present time by far the larger part of its properties are situate, in favor of another section of the country in which the railway had to commence with no interest at all, except so far as its traffic operations were concerned, unless there was some real compelling underlying reason for it. This underlying

reason is to be found in the rates which the Canadian Pacific R'y. Co., was forced to meet, and which were effective in Eastern Canada at the time of its advent.

Apart altogether from the strong inferences that may be drawn from the railway history of the Country it should also be borne in mind that no evidence has been submitted by any of the complainants negativing the force either of water or of railway competition in the East, or the resultant effects on the different rate structures.

The evidence of the different traffic officers of the railways has remained unchallenged except in so far as cross-examination and arguments of Counsel are concerned. On the other hand to the extent that the question has been dealt with by witnesses called by Counsel either for the Dominion or the Provinces, the evidence submitted by the railways has been confirmed.

Mr. Muller, the expert called by Counsel for the Dominion Government, for example, stated that in the East the Canadian Pacific has to meet the competition, of the other carriers mentioned in the table contained in his Exhibit, on a large share of its traffic. The Exhibit referred to is that illustrating the operating results and gross profit ratios obtained by 25 representative companies operating in the Eastern United States. M. Muller, therefore, agrees that the Canadian Pacific rates in Eastern Canada, on a large share of its traffic, are influenced by competitive rail haul conditions. A rate which may illustrate the result of this railway competition in the East, although of immediate benefit to the Western exporter, rather than to the Eastern shipper, but lowering the earning capacity per ton mile in Eastern Canada is the winter rate on grain. The rate from Duluth to New York is 23 cents, the haul is 1,376 miles, making a resulting per ton mile return of .0334 cents. Owing to the bonding privilege available in both countries exporters in either country can always obtain the benefit of the lowest rates irrespective of International Boundaries. The Canadian Pacific meets this rate, its charge on grain from Fort William to St. John being 23 cents. The haul in this case is 1,465 miles and the resulting ton mile return is .0314 cents.

Mr. Calderhead, an expert of the Public Service Commission of the State of Washington, who was examined as a witness on a Commission obtained by Mr. Macdonald, Counsel for British Columbia, proved that merchandise moving from New York to Chicago at a rate of 75 cents for 909 miles (1.65 cents per ton per mile), takes from Chicago to St. Paul a rate of 40 cents for 411 miles (1.94 cents per ton per mile), and from St. Paul to Seattle a rate of $3.00 for 1.773 miles (3.38 cents per ton per mile). He also stated that in his opinion the 75 cent rate was very probably influenced by rail and water competition; the 40 cent rate by lake competition, and that the $3.00 rate, St. Paul to Seattle, is without competition except the figurative competition of the rate on the Eastern Coast plus the boat rate.

The result then is that in the opinion of an expert having no connection with any railway, but an officer of a Rate Regulating Commission of a Western State: the rates between New York and Chicago are influenced by both rail and water competition through a district which certainly has no better water ways than that part of Canada East of Fort William possesses along the lines that traffic actually moves; with the further result that merchandise is carried on a movement New York to Chicago as compared with a movement of like merchandise from St. Paul to Seattle at a rate per ton mile for the shorter haul slightly less than one-half of the rate for the longer haul.

His conclusion that the rate from Chicago to St. Paul of 1.94 cents per ton mile for a haul of 411 miles—while the rate from St. Paul to Seattle is 3.38 cents per ton mile for 1,773 miles, is influenced by lake competition—affords perhaps an extreme example of the principle.

A combined water and rail route from Chicago to Duluth or Superior (Lake Ports for St. Paul), is by Lake Michigan through Lake Huron and Sault Ste.

Marie Canals and Lake Superior, making a water haul of approximately 950 miles. A rail haul to St. Paul of 149 miles (the shortest railway mileage), completes the movement. In other words, the effectiveness of water competition is recognized as controlling rates to a point 149 miles inland.

It is not necessary for the Board to make any finding as to the effectiveness of the competition on the rates of this particular movement. It may be well said that the witness was examined while the inquiry was only directed to rates in British Columbia as compared with rates in the Prairie Provinces and Eastern Canada, so that neither Counsel for the Dominion nor for the other Provinces had any opportunity to cross-examine at that time. It is equally true that before evidence had been taken in the Western Freight Inquiry proper, all these proceedings had been incorporated into and made part of this case; that Mr. Calderhead attended subsequent sittings; that no application was made by anyone for leave to cross-examine him, and that no evidence has been called to contradict his statement.

On economic principles special rates to competive points, or in competitive zones, as already noted, have been justified. They have been practically always regarded as proper in principle and probably must apply for all time in the future, at least until such time as railways cease to be operated for profit and are carried on as a matter of governmental operation irrespective entirely either of cost or value of services, or the necessity of obtaining business.

For the reasons stated, I am of the opinion that while discrimination exists between the rates charged East and West of Port Arthur the discrimination is justified under the Railway Act and the decisions of the Board already referred to; and is neither undue nor unjust.

While in the main the rate structure of Eastern Canada is justified on the basis of water and railway competition, it may be that at some points change of conditions are such as would justify some increase of rate if discrimination exists, which cannot fairly be excused on account of competitive reasons. The Board has not now before it information that would justify such action in the present case.

X.

It now becomes necessary to consider the rates charged in Western Canada and their reasonableness.

In this connection it is necessary at the outset to consider some underlying principles in regard to the railway situation west of the Great Lakes.

Much has been said during the inquiry as to the necessity of an increased railway mileage and the large responsibility already incurred by the people as a result of Governmental guarantees of branches which are not yet returning a revenue sufficient to support them.

A further claim has also been made, on behalf of the Companies, that the needed railway construction cannot be had unless the existing rates are maintained for the purposes of enabling the Companies to meet the deficits resulting from the first period of railway operation before a traffic is sufficiently worked up to meet expenses.

There is no doubt at all that the existing mileage of railways is entirely inadequate, at least in so far as Saskatchewan and Alberta are concerned.

For the purposes of obtaining a just appreciation of the requirements of the Provinces of Saskatchewan and Alberta, where railways in many instances are a crying necessity, I took out last year figures which would show territory served and the territory which has as yet no railway facilities. The situation is not altogether the same to-day owing to the fact that the mileage has since somewhat increased. The results, however, are still approximately correct, the variation not being very great and capable of ascertainment only on taking out a complete set of new figures.

The result showed that railways as constructed at that time in Saskatchewan served roughly 70,000 square miles, or 44,800,000 acres on the basis of the ten mile haul. What I mean by a ten mile haul is that all the acreage within a distance of 10 miles, taken at right angles from the railway track, is taken as acreage with sufficient railway accommodation. I have arrived at this distance after hearing complaints of farmers in the West. This ten mile distance in some instances, of course, means a longer haul, as grain platforms or elevators do not exist along the whole line, and as roads often do not run in the direct direction. Some arbitrary, however, had to be adopted. The arbitrary that is here adopted enables farmers with fair roads to market their grain and return home in one day in almost every instance.

Particular complaints have been made to the Board showing that what with bad roads and grades which are quite common at some points that it costs a farmer living at a distance of from 18 to 35 miles from the railway considerably more to take his grain to the railway than it does to take the grain the whole way to Fort William when it is once received on the car. Railways laid out having in view a maximum 10 mile haul would, of course, on the other hand, not be constructed nearer to each other through the farming territory than 20 miles.

Doubtless Saskatchewan has much good arable land lying north of Township 58; but taking 58 as a point up to which it would be certainly reasonable to afford railway facilities for settlers, the result is that south of the Township Line there is an area of 121,068 square miles, or 77,483,520 acres, with the result that 51,068 square miles, or 32,683,520 acres are still to be served. Railways which may be constructed under the guarantees of the Province outstanding last year, when completed would provide facilities for 17,788,160 additional acres. This would still leave 39% of the total acreage further than 10 miles, at least from any railway.

In Alberta, taking in that Province the 74th Township as the northern boundary and the 10th Range West of the sixth Meridian as the West, the Province within such boundaries contains about eighty-five million acres. Of this acreage existing railway lines serve in the neighborhood of 26,600,000 acres on the basis of the same ten mile haul, leaving about 58,400,000 acres still unserved.

Railways proposed to be constructed under the guarantees of the Provincial Government, and outstanding last year, when completed would serve in the neighborhood of an additional 17,080,000 acres, this, however, would still leave 48% of this total acreage unprovided for.

There can be no doubt of the necessity from every standpoint of railway construction in both these provinces. There is also no question that with long hauls, bad roads, and resultant light loads, grain farming is carried on at a disadvantage.

It has been represented, that it really costs farmers little to haul their grain; that the grain is hauled when a farmer would have nothing else to do, and that his horses and waggons might be just as well so employed.

I find that farmers get $5.00 a day for a double team in the Provinces when working for railways or for their own municipalities, and in some instances as high as $6.00. Further, it is a fact that much of the marketing of grain is done just at the time of year when the team is needed on the farm to plow. In view of the advantages of fall plowing, any unnecessary time consumed in the autumn in marketing is most disadvantageous to the farmer and to the well being of the Provinces as a whole. There is also undoubted expense for horse feed and hotel charges for most farmers, many of whom have to take at least two days in drawing a load of grain to market and back while some require from three to five days for the round trip.

To illustrate the complaints of the farmers as to long hauls, reference may be had to the evidence given at Edam on the complaint that the Canadian

Northern had not been extended, as had been promised, to Mervin. It was shown in that case that wheat was hauled to the elevator at Edam from distances as great as thirty-five, forty, and forty-five miles; that from Mervin to Edam, a distance of 14 miles, a load of sixty bushels could be hauled by one team; that the price for teams was $6.00 in the summer and $5.00 in the winter, and that it took, having regard to the time of unloading and its consequent delays, two days in making the round trip; and that, as a result, allowing $2.00 for meals, feed, and bed, the expense was $12.00 a load, or twenty cents a bushel; that for the 35-mile haul only 40 bushels could be hauled by one team and waggon; and that the round trip took 2 or 3 days. Taking the time at two days necessitating an early start and prompt unloading, and the allowance for team and wages at the same figure, namely, $5.00, and allowing $1.00 more for expenses having regard for the extra time on the road and extra meals, the cost of marketing would amount to $13.00, or 32.5 cents a bushel for hauling wheat 35 miles. The result is that farmers hauling a distance of 35 miles to Edam over roads necessitating a loading of only 40 bushels, were at a marketing expense of 32.5 cents a bushel as against a railway rate from Edam to Port Arthur of 14.4 cents per bushel for a distance of 1,046 miles.

As evidencing that this state of affairs is not confined to the Mervin and Edam district, reference may be had to the complaints supported by a petition signed by 390 farmers resident in the Eagle Creek district, Saskatchewan, supported by Municipality 376.

This is a well settled district. Messrs. Conboy Brothers of the Hillcrest Farm have 3,000 acres broken. Their crop of last year, including both coarse grain and wheat, amounted to 50,000 bushels. Mr. Conboy showed that some of the crop had only to be hauled a distance of 12 miles, but that the larger part of it required a haul ranging from 15 to 18 miles; that the 12-mile haul in good weather could be made in a day, the waggon leaving the farm before 7 in the morning, with 50 bushels, returning to the farm the same evening; but that, in making the longer haul, two days were required in every instance; that the roads were very bad and the country rolling and hilly; and that much grain in the district was hauled longer distances, the hauls running up to 40 miles.

Mr. Richard Morton, Reeve of the Municipality, has a farm 24 miles from the railway requiring two days to make the round trip. He works out his teaming operation and costs as follows:

A team leaving the farm at six in the morning reaches the nearest loading platform, at Perdue, at four in the afternoon necessitating loading through the elevator at 1¾ cents a bushel, four o'clock in the afternoon being too late an hour to enable advantage to be taken of the loading platform. The hotel and livery expenses are $1.75. The value of a team in the locality, with man, is $5.00 a day; with a result that it would cost Mr. Morton to market his grain on this basis 20 cents a bushel for teaming, elevator charges, 1¾ cents, hotel and livery expenses spread over the 50 bushels, 3½ cents, making a total of 25¼ cents a bushel. Mr. Morton estimated that at least 500,000 bushels of grain were taken out of the district under conditions that necessitated at least a 2-day haul, with the result that the initial cost of marketing was 25¼ cents per bushel as against the rail haul to Fort William of 13 cents a bushel for a distance of 939 miles.

It may be claimed that a farmer's time with his team is not worth $5.00 a day as claimed by him. Reference, however, may be had to the report made by Mr. Frank Andrews, Expert in Transportation to the Department of Agriculture of the United States, on the cost of hauling crops from farms to shipping points. The report is one published in 1907, and, therefore, may not now be illustrative of the exact cost in the different States referred to. It is, however, valuable in that it indicates the cost of marketing is an important item, and forms, when a long haul is necessitated, a heavy burden on the producer. Table 39 of the report, dealing with long hauls, as applied to wheat, shows that for a

haul of 16 miles in Iowa, with a load of 3,500 lbs., or $58\frac{1}{3}$ bushels, the cost is 12 cents a bushel; in North Dakota, a 35-mile haul with a load of 2,700 lbs., or 45 bushels, the cost is 13.2 cents a bushel; South Dakota, a haul of 50 miles with a load of 2,500 lbs., or $41\frac{2}{3}$ bushels, the cost is 36 cents a bushel; in Nebraska, for a haul of 30 miles, with a similar loading, the cost is 12.6 cents a bushel; in Indian Territory for a haul of 10 miles with a loading of 1,800 lbs., or 30 bushels, the cost is 9 cents a bushel; in Oklahoma, a haul of 45 miles, with a loading of 2,000 lbs., or $33\frac{1}{3}$ bushels, the cost is 22.8 cents a bushel; in Montana, with a haul of 35 miles and a loading of 2,500 lbs., or $41\frac{2}{3}$ bushels, the cost is 25.2 cents a bushel; in Washington, for a haul of 60 miles, with a loading of 2,000 lbs., or $33\frac{1}{3}$ bushels, the cost is 84 cents a bushel; and in California for a haul of 35 miles with a loading of 5,000 pounds, or $83\frac{1}{3}$ bushels, the cost is 27 cents a bushel.

I am, therefore, of opinion that the object doubtless sought by the Provincial Governments in guaranteeing railway bonds, namely, that of bringing railways within reasonable distances of the farmers so as to enable grain to be marketed in one day's haul is the best interests of the districts; although it well may be, as pointed out by Mr. Pitblado, that the construction of such lines is in the first instance unremunerative to the Company, and forms a reason why, as argued by him, that the returns of the Canadian Northern are not more satisfactory.

It must be also borne in mind that the construction of these very lines, among others, was advanced by Mr. Cowan as the reason why the Canadian Northern returns were not satisfactory, Mr. Cowan arguing that the construction, in large part, of the system had been at such a rapid rate as to prevent a proper return being made. It may appear that as the larger part, if not all, of the railway's recent construction, both in Saskatchewan and Alberta, has been made at the direct request and under the Provincial Governments' guarantees that it is somewhat difficult to reconcile Counsel's attitude with the policy of the Provincial Governments and to give effect to a demand which would penalize the Company for having made the construction urgently required by the Provincial Authorities. Beyond all question lines built under Government guarantee or assistance, and so far as the Canadian Northern is concerned it would be difficult to find any that do not answer this description, must be considered as lines built into proper districts and directions, although it may well be that it is impossible, owing to their recent construction, to predicate any rate on their earnings.

XI.

There being no doubt as to the necessity, therefore, of railway construction, the next question for consideration is whether or not the Board should assist in such construction by authorizing rates at a higher rate over the railway system as a whole than would otherwise be reasonable, at least in so far as the older portions of the railway, which are producing good returns to the carrier, are concerned.

While it may be that, in the interests of the Provinces as a whole, this would be an excellent way of obtaining necessary railway extensions, I am of the opinion that it is not a matter that the Board can take into direct consideration in rate-making. It would place a direct and a discriminatory burden in the guise of a transportation rate on certain sections of the community. The principle is strenuously objected to by Counsel for the complainants, and I would give effect to their contention. The practice would be discriminatory also in that shippers in the East would not contribute through any of their freight payments, and as already pointed out, the Eastern manufacturer and shipper to the West is interested in Western railway development, and will continue to be, certainly, so long as the commerce of the country moves as it now does in channels East and West.

It is also true that railway extension is of immediate interest to the distributing centres of the West wherever they are situate, as they are vitally affected

by every addition to consuming areas created by railway extension in any portion of the country in which they distribute. On the other hand, the consumer, who in the long run pays every rate, and who consists in a large proportion in the West of farmers who already have reasonable facilities, is not at all concerned in affording other farmers in the unsettled districts, facilities such as he himself enjoys. It would appear much more equitable, therefore, to charge a higher rate on new lines, if necessary, in order to secure railway construction, than to charge an otherwise unduly high rate on lines on which business has been built up.

It seems to me that extensions out into new territory should be made at the risk of the company, rather than at the expense of shippers on the old lines,

I do not propose, therefore, to give any effect to this question of extensions when considering the rates generally. Indirectly, of course, consideration is or always should be given to the necessity of enabling railways to obtain additional capital. Extensions of service, betterment of facilities, and the enlargement of terminals have from time to time to be made often in the old settled districts of the country, and apart from any question of fairness to the railways themselves; but as a matter of public policy, railway rates should be rates of such a character as to attract investment and to render railway securities marketable.

XII.

In connection with the railway requirements of the Provinces it is necessary to point out that Mr. Muller in Exhibit 107, Series 6, states,—

"That regulation of rates by the Government without adequate control of future develop-"ment is likely to lead to a duplication of mileage and other facilities beyond immediate require-"ments of any particular region to the two-fold injury of the country; (1) because the division "of a certain volume of traffic sufficient only to be handled properly by one, between two carriers "in order to be remunerative for both lines would make an inordinately high rate of profit addition "to cost inevitable, thereby taxing the public to a greater extent than necessary; (2) unprofitable "duplication of transportation facilities has a tendency to discourage construction of pioneer lines 'which are needed to open up virgin territory.

"Again, attention must be called, however, to the absolute necessity of a definite plan of "future railway extension under Government control, in order to prevent needless duplication "of facilities which will prove permanently unprofitable to the carriers and public alike."

At the hearing the matter is developed by the witness—

"*Mr. Bicknell:*—Then what when you find two or more carriers to a large extent operating "in the same territory is the point of view you desire to bring before the Commission?

"A.—Well, up to the present, with the exception of New York State, on both sides of the In-"ternational Boundary we have the situation of one carrier invading the field in which another "carrier has perhaps spent five or ten years building up a fair amount of traffic which just barely "yields enough profit to justify the existence of the one line. Another carrier, under the present "system of free competition, begins to see that that territory is developing, or has developed, "and immediately sets to work to tap it, not to provide service that is needed, because the other "carrier is still in a position to double its tracks and handle the traffic that may be expected for "the future in a more economical manner than the second carrier entering the field anew can "possibly perform it. The result is that in one form or another the public necessarily has to pay "excessive freight rates to maintain both carriers where one would be amply sufficient, or where "a slight capital expenditure by one carrier would be sufficient to provide for the increase in "traffic for many years to come. It is true in years gone by in the States before there was an "effective Interstate Commerce Commission competition between carriers seemed to be the "only way in which the public could get reasonably low rates—sometimes they were unreasonably "low perhaps—and of course competition between carriers then was necessary and was being "encouraged by the Governmental authorities as much as possible. Why this same destructive "competition should continue when the Government can step in and say, 'Such and such a rate " 'shall be a reasonable rate, and we will direct you to provide transportation facilities on such " 'terms that the public is not paying double for service which could be provided for one-half " 'the expense.' Then there is no longer any need for this ruinous competition between carriers "and the Government ought to be in a position to declare that there must not be any such com-"petition in future, that extensions to existing lines must in effect be approved by the Government "before they are constructed, and through this means of approving or disapproving the Govern-"ment would have it in its power to prevent the existing lines from being made unprofitable in "spite of the development of any particular section."

The question was emphasized by Mr. Pitblado, who, in the course of his argument pointed out that there were too many railways running alongside of each other for the reason, in part, that some of the railways were looking rather to transcontinental lines than to branch lines, and ran their transcontinental lines close to each other, so that there were places where the Grand Trunk Pacific and the Canadian Pacific practically ran along the same dump, while notwithstanding in the same territory he observed grain drawn 20 miles to market, and that such a state of affairs was deplorable when there was so much territory that wanted development in the West.

In order to ascertain to what extent overlapping, complained of by Mr. Pitblado, had obtained in the past, and the necessity of regulation in the future, an examination of railway construction in the West shows the position in the Prairie Provinces to be as follows:

So far as Manitoba is concerned, that portion of it lying south of the 19th Township, Lake Manitoba, and the 14th Township as far east as Selkirk, is well supplied with railways. Of course, in all instances, not only so far as Manitoba is concerned, but Saskatchewan and other parts of the country, some overlapping would be found to be necessary by reason of the necessity of lines making grade, and owing to rivers and other physical conditions of the country, as well as what would occur to me to some extent at least as a proper railway policy the necessity of obtaining access to large receiving and distributing centres. The Board has not before it sufficient details to ascertain just what percentage of overlapping might be justified in view of these conditions. Subject, however, to these considerations two thousand miles of railway would be sufficient to place the track within ten miles of every farm; while, as a matter of fact, 2,850 miles of track has been constructed, or somewhat over 40% more mileage than the territory required on this basis.

To the East the Grand Trunk Pacific is constructed so as to run pretty well through the same territory as the Canadian Pacific. At the boundary the lines are six miles apart. They cross each other near Rennie and divert from there until they are ten miles apart at Molson, and then converge at Winnipeg. The whole distance from the Boundary to Winnipeg is about 95 miles.

In Saskatchewan there is not so much overlapping of territory as in Southwestern Manitoba, but the South-eastern portion of the Province is pretty well covered. The first lines were the main line of the Canadian Pacific and its branch from Moose Jaw to North Portal. Since the construction of the above mentioned lines the Canadian Northern Railway built its line to Regina, on an average of about 18 miles south of the Main Line of the Canadian Pacific Railway. About the same time the latter built the Wolseley-Reston Branch, which rather closely parallels the Regina Branch of the Canadian Northern Railway from the East Boundary of Manitoba to Kaiser, a distance of about 80 miles. Between Kaiser and Wolseley, a distance of 24 miles, this line covers no territory that is not within the 10 mile limit.

The line of the Canadian Pacific Railway, through Redver's, Arcola, Stoughton and Regina, was practically in new territory, except where it converged with other lines in Regina, and from Stoughton to Regina, it is about 24 miles North-east of the Moose Jaw-North Portal Line. The Grand Trunk Pacific is constructing its line from Regina midway between the two lines of the Canadian Pacific Railway, and practically serves no territory that is not already served on the ten mile basis. This, of course, is the logical place for a line to the Boundary for the purpose of serving the United States business. The length of this Branch is about 155 miles.

During the last few years the Canadian Northern Railway Company has built South-westerly from Maryfield to Lampman and from there West towards Lethbridge. This line serves very little new territory as it crosses four lines in a distance of 100 miles. From Radville to Bengough, 46 miles, this line is from

8 to 12 miles South of the Canadian Pacific Weyburn-Lethbridge Line. The line from Luxton to Bienfait and Estevan, 24 miles, is all in territory already served.

From Radville a branch runs North-westerly to Moose Jaw, and at Radville it is 20 miles from the C.P.R. Moose Jaw-North Portal Branch, both lines converging on Moose Jaw. As these two lines are separated by Moose Jaw Creek, it does not appear that there is any overlapping of territory.

About the time the Main Line of the Grand Trunk Pacific was being built, the Canadian Pacific was building its Pheasant Hills Branch. It is within twenty miles of the Main Line of the Canadian Pacific and Grand Trunk Pacific for a distance of 115 miles. Beyond Lemberg it draws away from the Grand Trunk Pacific, and is in territory of its own as far West as Range 22, West 2nd Meridian, where it runs North, crosses the Grand Trunk Pacific at Nokomis, and goes on to Lanigan. The last 35 miles is in territory already served on the ten mile basis.

Some years ago the Canadian Pacific abandoned its lease of the Regina-Prince Albert Line, which was subsequently acquired by the Canadian Northern. The Canadian Pacific later started the construction of the Regina, Saskatoon, and North Saskatchewan Railway running North-west to Colonsay. This line is within 20 miles of the Canadian Northern Railway as far as Liberty, 69 miles. From Amazon to Colonsay, a distance of 25 miles, it is in territory already served.

The extension of the Canadian Pacific Railway from Yorkton to Saskatoon is within 20 miles of the Canadian Northern from Theodore to Wynyard, a distance of 63 miles. From Guernsey to Saskatoon it is within 20 miles of the Grand Trunk Pacific, a distance of 69 miles. This line and the Main Line of the Grand Trunk Pacific were built about the same time. West of Saskatoon these two lines parallel each other closely as far West as Vera and Buccleuch, and are about 20 miles apart at Artland and Evesham, a distance of 154 miles.

The Melville-Canora Branch serves very little territory not already provided for, and for 15 miles parallels the Rossburn Extension of the Canadian Northern, length 55 miles. This line is across country and Hudson Bay Junction appears to be the objective point, giving the Grand Trunk Pacific connection with the Government line to Hudson Bay. The Grand Trunk Pacific Branch from Melville to Regina and Moose Jaw is within 20 miles of existing lines all the way, a distance of about 140 miles.

The Moose Jaw North-Westerly Branch of the Canadian Pacific and the Biggar-Calgary Line of the Grand Trunk Pacific run within 20 miles of each other for a distance of about 35 miles. The Grand Trunk Pacific was built last. The Moose Jaw Branch is also within 20 miles of the Saskatoon-Calgary Line of the Canadian Northern for a distance of about 40 miles.

The constructed lines and the lines under construction amount to 5,861 miles, and of this about 1433 miles are within 20 miles of lines already constructed; or about 24%.

In order to more readily ascertain the effect of railway construction a more just appreciation of the situation can be formed by dividing the Province into Blocks, than by taking a general average. From this it will appear that in the territory East of the 3rd Meridian and South of the North Boundary of the Districts of Regina and Saltcoats an area extending East to West 110 miles and North to South 144 miles.

Total mileage 2,622;

Total mileage required to cover territory 2,400;

Total mileage where lines are within 20 miles of each other, 850, or about 33%.

Territory in Saskatchewan North of Districts of Regina and Saltcoats, East of the 3rd Meridian and South of South Boundary of Township 41. East to West 192 miles, and North to South, 96 miles.

Total mileage 847;

Total mileage required to cover territory 1,700.

Total mileage where lines are within 20 miles of each other, 193, or 23%.

Territory in Saskatchewan North of South Boundary of Township 41, East of Third Meridian and South of Township 51; East to West 180 miles; North to South, 60 miles.

Total mileage 306;

Total mileage required to cover territory 1,120;

Total mileage where lines are within 20 miles of each other 50, or 16%.

Territory in Saskatchewan between 3rd and 4th Meridians and South of the South Boundary of Township 24. From East to West 180 miles and from North to South 138 miles.

Total mileage 430;

Total mileage required to cover territory, 2,000;

Total mileage where lines are within 20 miles of each other, 38, or 9%.

Territory in Saskatchewan between 3rd and 4th Meridians and the South Boundary of Township 51 and the North Boundary of Township 23. From East to West 168 miles and from North to South 162 miles.

Total mileage 1,656;

Total mileage required to cover this territory, 2,800;

Total mileage where lines are within 20 miles of each other, 302; or 18%.

In Alberta the duplication of the line is principally confined to the territory between Calgary and Edmonton.

The Tofield-Calgary line of the Grand Trunk Pacific Railway is within 20 miles of existing lines as far south as Bashaw, a distance of 60 miles. Approaching Calgary it parallels the Langdon Branch of the Canadian Pacific Railway from Grainger to Calgary, a distance of about 40 miles.

The Vegerville-Calgary Line of the Canadian Northern Railway crosses the Main Line of the Grand Trunk Pacific and the Wetaskiwin Branch of the Canadian Pacific Railway, and does not serve any new territory until it reaches Viewpoint, about ten miles South of Camrose. Distance 58 miles. Approaching Calgary it parallels and crosses existing lines, so that the last 50 miles do not serve any territory more than ten miles from an existing line.

Before the Grand Trunk Pacific was started the Canadian Northern Railway made a small start towards building to the Coast, and had constructed as far as Stony Plains. The Grand Trunk Pacific also parallels this line a distance of 21 miles.

The Canadian Pacific Railway's Langdon Branch is within 20 miles of the Calgary-Edmonton Line as far as Irricana, a distance of 26 miles.

The constructed lines, and the lines under construction amount to 3,638, and of this about 938 miles are within 20 miles of lines already constructed; or 26%.

Dealing with this Province in Blocks, in the same manner as followed for Saskatchewan, and adopting the Districts shown by the map published by the Department of the Interior we find that in the

District of Edmonton irregular in shape,

Total mileage of 783.

Total mileage required to cover territory 2,250.

Total mileage where lines are within 20 miles of each other amounts to 354, or 45% of the constructed lines.

District of Victoria, about 125 miles East to West and 120 miles from North to South.

Total mileage, 166.

Total mileage required to cover territory 1,140.

Total mileage where lines are within 20 miles of each other, 0.

District of Strathcona,—irregular in shape; about 282 miles East to West, and 54 miles North to South.

Total mileage 554;

Total mileage required to cover territorv 750;

Total mileage where lines are within 20 miles of each other, 111, or 20% of the constructed line.

District of Red Deer, East of East Boundary of Range 8, West 5th Meridian. There are no railways West of Range 8 in this District. This territory is about 210 miles from East to West, and about 75 miles from North to South.

Total mileage 684.

Total mileage required to cover territory 1,700.

Total mileage where lines are within 20 miles of each other, 138; or 20% of the constructed lines.

District of Calgary, about 120 miles from East to West and 50 miles from North to South.

Total mileage, 357.

Total mileage required to cover territory 375.

Total mileage where lines are within 20 miles of each other, 110; or 30% of the constructed lines.

District of Macleod, about 75 miles from East to West and 132 from North to South.

Total mileage 384.

Total mileage required to cover territory 1,275.

Total mileage where lines are within 20 miles of each other, 110; or 29% of the constructed lines.

District of Medicine Hat, about 200 miles East to West and 180 miles North to South.

Total mileage, 746.

Total mileage required to cover territory 2,040.

Total mileage where lines are within 20 miles of each other, 115, or 16% of the constructed lines.

In British Columbia overlapping has not taken place, at any rate to any appreciable extent, on branch or local lines. The Canadian Northern and Grand Trunk Pacific, however, run largely side by side through the Rockies, while the Canadian Northern's right-of-way closely follows the Canadian Pacific through the Valley of the South Thompson.

This state of affairs is not, however, peculiar to the West. The paralleling of railways resulting from the construction of the Toronto-Montreal Line of the Canadian Northern and the new Canadian Pacific Line between the same points, occupying, as they do, territory already served by the Grand Trunk, affords a striking example of the practice in the East, as well as railway construction in certain sections along the North Shore of Lake Superior.

For the reasons already pointed out the Board does not pass any opinion as to how much of the duplication shown was or was not necessary. The criticism of Mr. Pitblado is, however, at least in part well founded and the necessity for some business control by the Government, which will prevent the unnecessary duplication of facilities in the future, as urged by Mr. Bicknell, established.

XIII.

The next question for consideration is the determination of which of the three lines, if any of them, should be taken as controlling the rate question.

In the first instance as the Canadian Northern, at any rate up to a comparatively short time ago, has confined its activities to the Western territory now under consideration, namely, the three Prairie Provinces, affording the best operating conditions, it would seem that line could be accepted as the typical Western Line. The analysis of that Company's revenues and expenses, however, as made by Mr. Muller, negatives this. If the Canadian Northern was to be adopted, its returns do not show anything like the same earnings as do those of the Canadian Pacific, and the anomaly is immediately reached of finding on the one hand that the Canadian Pacific Railway Company's Western business is more remunerative than in the East, and on the other hand that the typical Western Line operating practically only in the West makes far less money.

All Counsel for the different complainants united in objecting to the Canadian Northern's figures being taken as typical. Mr. Bicknell, Counsel for the Dominion Government, objects, and his objections extend also to the Grand Trunk Pacific's figures, that the traffic of both the lines has not yet fully developed; that they are not yet transcontinental roads; that so far they are only roads doing what might be called a local traffic, and handing over the traffic for transcontinental purposes to other roads; that the Canadian Northern and Grand Trunk Pacific are entering for the purposes of developing the resources of the country into new territory; that in a sense they are not yet competing lines; that they are, to a large extent, what are called granger lines carrying the grain of the country and bringing in supplies to the grain growers from the East, and are, therefore, only sharing at the present time in that portion of the business which is necessary for the development of the newer parts of the country which they are opening up.

Mr. Cowan objects to the Canadian Northern's figures on the ground that the Canadian Northern is a railway company which has come in where another road is and must take its conditions. Secondly, that the growth of the Canadian Northern has been so rapid as to prevent proper financial returns, pointing out, also, at page 9659 of Volume 190 of the evidence, that in 1902, the Canadian Northern had but a mileage of 1,276 miles, while its present mileage is 4,535; so that in 11 years the Company's mileage had increased 3,277 miles.

It might be noted that he at the same time showed that the Canadian Pacific's mileage in 1901 was 7,331 miles, and that it had since increased to 11,602 miles, and had, therefore, constructed new lines to the extent of 4,271 miles. The new construction does not seem to have had any very detrimental effect on the revenues of the Canadian Pacific, although it must be borne in mind that a well-organized railway starting out with a well-worked out business would probably be able to operate its extensions to more advantage than the newer line, and would have far more resources as a result of its large old mileage from which to make up deficits, if any, on the new lines.

The manner in which the position of the Canadian Northern is left on the argument for Saskatchewan and Alberta is fairly shown by a reference to the notes:

"*The Chief Commissioner:*—Then I asked as to the C.N.R. figures and you said you were "going to touch those figures later on. Do you want to leave the C.N.R. figures without comment?

"*Mr. Cowan:*—The point I made was, showing the growth of the Canadian Northern Railway, "that they had increased their mileage from 1,200 to 4,000 miles.

"*The Chief Commissioner:*—I was referring not to the mileage but the thing we are interested "in here, the revenue and the expense so far as the Canadian Northern are concerned.

"*Mr. Cowan:*—I was dealing only with the Canadian Pacific, not the Canadian Northern. "I have not attempted to analyze the figures of the Canadian Northern. I am surprised that it "makes so good a showing; its enormously increased tonnage and its enormously increased earn-"ings, considering the number of years that it has been in operation and the enormous mileage "which it has produced during that period. To use a popular phrase, I cannot expect to sow "a crop in May and harvest it in June.

"*The Chief Commissioner:*—Then we might make use of that phrase now. From your "standpoint how long do you expect a newly constructed line to be unremunerative?

"*Mr. Cowan:*—I do not know that. I am not sufficient of a railroad prophet, and I have "not to discuss it, because at the end of that time, when the line becomes remunerative, the system "has been extended and I am met with the same argument.

"*The Chief Commissioner:*—But we could apply that popular phrase to the C.N.R., to see "what is the May crop to be harvested in June. Or do you mean that merely as a figure of speech? "I do not suppose you give it merely as a figure of speech.

"*Mr. Cowan:*—I say that the Canadian Northern in 1901 had 1,200 miles in a new country.

"*The Chief Commissioner:*—Starting with that. Supposing you have a branch line built "on the Canadian Northern for the present purpose of saying that you would not expect them to "show anything like a decent return. How long do you think they would have to be built before "they could show it?

"*Mr. Cowan:*—I am not sufficiently familiar with western conditions to say that. I cannot "give the Board any light on that subject, upon which I could have any reliance myself. It is "all right for me to say that it would depend on the trend of settlement, directed probably along "a certain line. For instance, the Canadian Pacific Railway, owning the lands through which "the road would run, with their immigration agencies might direct settlement along one line and "make it pay quicker than another.

"*The Chief Commissioner:*—But as a matter of fact it is said that settlement is in advance "of the railways and in need of railways, and don't you need railways in advance of settlement?

"*Mr. Cowan:*—Yes.

"*The Chief Commissioner.*—Then, if the settlement is in advance of the railways, why should "not the railways be now paying?

"*Mr. Cowan:*—I do not know that they are not. Saskatchewan and Alberta have helped "pretty heavily to finance them.

"*The Chief Commissioner:*—There is no question about that. But if that is right your "illustration as to the crop and the harvest is hardly in point?

"*Mr. Cowan:*—Well, I say this that I would not expect a new system starting with 1,276 "miles in 1901 and building up to 4,553 miles by 1913, to show in that nine or ten years very "heavy results. But notwithstanding that, the earnings have increased very, very materially.

"*The Chief Commissioner:*—You do not think you can help me by anything definite on that "though?

"*Mr. Cowan:*—I do not want to venture an opinion unless I myself have the facts with which "to back it. But I want to say this, that no railway company is building a railway merely for the "health or the accommodation of the West.

"*The Chief Commissioner:*—I think that is right.

"*Mr. Cowan:*—It will not build it unless it is helped and gets enough money to build it, or "unless it sees the payment in sight as an investment, the same as anybody else.

"*Commissioner McLean:*—Would I be unfair in saying that your position is this: that you "are in a position to give us difficulties but not constructive suggestions?

"*Mr. Cowan:*—No, that would not be putting it right.

"*Commissioner McLean:*—I do not want to be unfair.

"*Mr. Cowan:*—No, I quite appreciate that, and I also appreciate this that the solution of "any problem such as this must have a great many difficulties in the way. I have given you what "I can towards a solution, on two lines. I have given you the cost of operation and the density "of traffic in figures and circumstances, such as I could. But having said that much, I do not "know what further I can do, unless it be to figure out the rates. I would very readily do that, "if the Board will agree to adopt my suggestions.

"One word on this bugaboo of no railway extension. We know how railways are extended. "We know that they are not extended except for prospective business, and unless the prospective "business at a profit is in sight they will not extend. So far as any lines which we have guaranteed "are concerned, I have not the time to go into it, and I will leave it to my learned friend, if he de-"sires, to go into that. You will see the instances that we have given.

"*The Chief Commissioner:*—Yes, you have it in your last exhibit.

"*Mr. Cowan:*—Yes, in my last exhibit on behalf of Saskatchewan and Alberta. We take "the full responsibility of any guarantees which we have made. We know if those lines are "properly operated that they will pay. That is why we have guaranteed them, and with the "idea of assisting them to get lower rates of interest on long credit, and we take the responsibility "for those lines."

Mr. Pitblado for the Winnipeg Board of Trade bases his objection to the Canadian Northern as a standard on the following ground:

That the Company is still in the construction stage and is not operating under normal conditions; secondly, that it is still in the throes of building a transcontinental system; thirdly, that it voluntarily went into the western field for the purpose of competing on equal terms with the road already there; fourthly, that in making enormous extensions the Company has been guided not so much by consideration of actual business as by the avowed policy of getting first into the

territory; and, fifthly, that the extensions were built before the density of settlement had taken place which would justify the extensions as business enterprises.

It is also contended by all Counsel for the complainants that the standard adopted should be that of the Canadian Pacific, and that rates should be fixed for the Western Provinces with disregard both to the Grand Trunk Pacific and to the Canadian Northern.

It is true that in this connection Mr. Bicknell expressed his wish that the Board would so reduce rates, although on the Canadian Pacific basis, in such a way as to avoid doing injury to the other lines. He was unable to suggest how that end could be accomplished, nor was this to be wondered at, as beyond all question rates based upon the Canadian Pacific's power to stand reductions would inevitably bankrupt not only both the Canadian Northern and the Grand Trunk Pacific, but for the future preserve the Western Provinces to that Company in so far as any new companies or new lines were concerned. It would be impossible for any ordinary company to live in competition with the Canadian Pacific Railway Company under such conditions.

Mr. Muller in his evidence presses the matter to its logical conclusion. Admittedly the Canadian Pacific, the premier road, has received greater Governmental assistance than have the other lines. As part of its original contract the Company received a cash subsidy of $25,000,000 and 25,000,000 acres of lands, a free right of way and sites for stations, work-shops, etc., in so far as lands vested in the Crown are concerned. The project had been under consideration for some considerable time before the final contract was let and part of the line had been actually constructed by the Government. Under the contract the constructed portion of the railway was transferred to the Company and became its property. According to Mr. Muller no attention should be paid to any property or advantage that the Company derived under the agreement, either as expressed in the railway transferred or railway construction paid for either by the moneys obtained from the cash subsidies or land grant or in the free right-of-way or exemption from taxation, when fixing rates. His contention may be illustrated by an example given in his evidence; the illustration being that of three railways operating in a common territory each costing $10,000,000; two of the lines being built by the shareholders' money but the third receiving a cash subsidy of $5,000,000. Applying this contention the rates for the district would be fixed on the basis of a shareholders' interest of $5,000,000 in the bonused line, with the result that one half the shareholders' interest in the other lines would be practically confiscated. It may be stated that it was admitted that such a course had so far never been adopted, but that hitherto the question was rather the value of the property owned by the carrier and devoted to the public use rather than whether such property had been in whole or in part given to the carrier, or had been acquired at much less than its real value. If such had been the determining factor conversely in cases where the railway property had been acquired at inflated prices, the cost would have to be considered rather than the actual value of the transportation utility.

The position of Counsel for the railways reduced to its logical conclusion, is, on the other hand, that the rates must be based on the returns of the weakest line. I am of the opinion that neither position is correct, but that rates should be considered having regard to the traffic necessities of Western Canada and a fair return to the carrier apart entirely from any question of reserves of the Company on the one hand or liabilities of the Company on the other.

No governmental control has been exercised in Canada so as to insure that railway stock and securities should not be issued for less than a reasonable consideration. It would be entirely unfair to the shipper if he were compelled to pay rates which were based either on the amount of the capital stock, the bond issue or other liabilities of the Company, a portion of which, on the one hand, may never have been applied in supplying the transportation system in respect of which the rate is to be made, or which, on the other hand, may represent in part merely a fictitious value.

In like manner, should a Company not distribute profits earned under legal tariffs, those profits, nevertheless, belong to its shareholders, and it would be equally unfair if such undistributed profits were taken as a return of capital to the shareholders for the purpose of justifying a rate otherwise indefensible.

In this connection Mr. Muller states in Exhibit 90, Series 1, at page 55,—

"And, further, a railway Company, by foregoing the distribution of profits in dividends in "past years, may make available large sums for additions to its property which are not in any "way represented in the stocks and bonds issued but which must be considered in determining "the investment upon which a reasonable rate of return is to be calculated. The dividends "actually paid by the C.P.Ry. in fact, represent a considerably lower percentage on the actual "investment than they do on the issued capital, just as in some cases of other companies the re-"verse condition is true."

The whole question is or should be what rates are fair? In considering this question, of course, surpluses earned by past operations may be evidence to the fact that the rates under which they were earned were exorbitant. Any industrial enterprise has the right to a reasonable surplus over and above its fixed charges and dividends. A railway is also entitled to a reasonable surplus. The only evidence given on the subject as to what a reasonable surplus would be is that of Mr. Muller, who required 2%, and the opinion of the Board is that this is not unreasonable.

Much time has been lost and much unnecessary work done by reason of the fact that all parties to the issue seem to have treated it as one in which their whole duty was to press everything to the last possible conclusion irrespective of the effect on the country or the railways. The case also was one which I, at any rate, did not wish to circumscribe, and certainly did not stop any line of enquiry that any Counsel wanted to go into. It is a pity, however, in view of the time that has been taken up, and the fact that practically only one set of figures has been from beginning to end on the one side, at any rate, considered, that some attention was not paid by Counsel to the direction of the late Chief Commissioner, contained at page 1,817, volume 145 of the evidence, which is as follows:

"With reference to the inquiry into the financial standing of the companies, it seems to me "that if one is investigated they should all be investigated. We should not be submitted to the "possibility of prejudice in settling these rates by placing before our eyes the millions and millions "of treasure that the Canadian Pacific is supposed to have hoarded up. *The question for us to "decide is what rates are fair irrespective of how much any company is worth or is not worth.*"

Dealing with the question in the manner contemplated by the late Judge Mabee, no effect is given to the "lame duck" argument that we have heard so much about during the inquiry, on the one hand, nor to shareholders' reserves on the other.

To my mind it is quite impossible for the Board to deal with rates in the West on the hypothesis that the Canadian Pacific is the only railway that should be taken into consideration.

Urgent appeal was made to the Board "that Saskatchewan and Alberta shall "not be compelled to build a second bridge around Lake Superior and pay the "piper and be bled through the nose for its construction and operation."

And also that:—

"In our country railway charters are like what Mark Twain said about the toll roads in Neb-"raska, they grant them until they lap over the edges of the Continent. I hope I do not have "to read to a tribunal, entrusted with large powers and responsibilities, its duty through the "preamble of Acts of Parliament too often granted for political expediency."

These arguments are like some others of a character that never should have been addressed to the Board. The Board has had nothing to do with building either the National Transcontinental or the Canadian Northern around Lake Superior or anywhere else. The Board instead of sitting in review on Acts of Parliament is governed by them. Nothing could be more fatal to the continued useful-

ness of this tribunal than for it to attempt to consider whether or not Acts of Parliament were passed for political expediency, even if it had, instead of lacking, the jurisdiction to do so. All Counsel to the inquiry knew perfectly well that this Commission has nothing to do with either the incorporation of railway companies or determining where companies may or may not construct. As, however, the argument has been made and given a wide publicity, it is as well to state that, as a matter of fact, the Board has absolutely no jurisdiction to prescribe or limit railway construction, except in so far as industrial branches, with a six mile limit, are concerned. A company, on receiving statutory authority from Parliament, and after obtaining the Minister of Railways approval of its route map, has the legal right to construct the line authorized subject only to the right of the Board to move its location to any point within the distance of one mile from the route map as approved by the Minister, and subject to the regulations of the Board made in the interests of public safety and convenience.

As pointed out by Mr. Lafleur, the Grand Trunk Pacific undertaking is in no sense that of an ordinary company. It is in every sense a national work of great magnitude, the building of which to a very large extent is controlled by Parliament itself. A large part of the line forming part of the system—the National Transcontinental—is owned and built by the country, and so far as the Grand Trunk Pacific itself is concerned, 75% of its cost is in turn guaranteed by the Dominion, and the expenditure and work are subject to governmental supervision. The building of the line and the whole enterprise not only received the assent of Parliament, but the endorsation of the people of the country. Probably the very worst service the Board could do the people of the West would be making, as they have been requested to make, such a scale of rates as would effectually prevent the fruition of the project and condemn it to insolvency before the line as a whole is actually constructed.

It is absurd to argue that such a company created under such conditions is to be looked upon, as suggested in an argument addressed to the Board, in the same light as any ordinary charter under which a railway could or might be built, apart from all governmental recognition or support, and which could be incorporated merely to prevent a reduction in rates.

XIV.

In addition to the submissions that the West is unfairly and unjustly discriminated against, Counsel for the Dominion Government urge that rates in the West should be made on the basis of cost with the addition of a percentage to be fixed by the Board for the purpose of carrying proper overhead or capital charges. The case on this head was developed by the witness J. P. Muller called by the Government Counsel. The basis advanced is in fact his basis. The illustrative rates submitted carrying the theory into effect are based entirely on the results obtained by the Canadian Pacific irrespective of the existence of the Grand Trunk Pacific and the Canadian Northern Railways, and of the further fact that admittedly with the completion of these lines the whole railway situation in the West to some extent at least changes. As, however, it was urged that, if the Board did not adopt the Canadian Pacific as the only factor necessary to be considered, the Board should, for the purpose of rate-making, define what a typical road or road, I should say, of a proper standard would be, and to then apply the cost basis; it is necessary to consider the evidence on this point.

Mr. Muller's theory of testing or making rates involves in the first instance the ascertainment of the cost of the actual railway operations reduced to the ton-mile haul unit plus the cost of the terminal work that would be applicable. After the cost of operation is so ascertained an arbitrary percentage is to be added to cover gross profit, this percentage to be sufficient to cover interest on funded or floating debts, rentals, taxes, maintenance, and depreciation, as well

as interest on the actual investment in the transportation facility at 4% and a surplus of 2% on this investmeat.

In the evidence the item of 4% is to cover the value of the money employed, and must be ascertained having reference to the value of money for the time being, while the surplus is to look after unforeseen contigencies and losses, and is also necessary for the purposes of maintaining the Company in a satisfactory financial condition so that it may be able to borrow money at a reasonable rate for the purposes of improving the transportation facility.

As further explained by Mr. Muller, the ratio between the interest earned on the investment and surplus obtained should be maintained, so that if, for example, money at the time the rates were struck was worth 5%, the arbitrary percentage to be added for gross profit should cover an amount sufficient to return interest on the investment at 5% and a surplus of 2½ per cent.

The manner in which the cost items are ascertained will be hereafter considered.

On the question of what percentage should be here allowed, Mr. Muller suggests an allowance of either 50 or 66⅔% on the operating cost as segregated by him. Neither figure, of course, has any particular significance. Some sound underlying principles of necessity must be established before either ratio could be accepted. Doubtless bearing this in mind Mr. Muller had prepared a comparative statement showing the relation that the operating expenses of 25 Eastern and 25 Western Railways in the United States bore to the net revenues of these companies, with the result that the average gross profit on the operating cost in 1912, for the Eastern Lines, was shown to amount to 42.45%, and for the Western Lines to 49.86%, while the result of the Canadian Pacific's operations in the West based on the division of the figures which has been shown to be more or less accurate and amounts somewhat to an approximation, was 64.17 per cent. The exhibit also gives figures for the year 1911 (Series 6, Exhibit 5.)

It will be noted that taking the expenses as returned and divided on the books of the railway company as has been alleged merely for operating purposes, that if a percentage as suggested by Mr. Muller of 66⅔% was adopted no reduction in the large of the Canadian Pacific rates could be made. Mr. Muller, however, in his cost analyses has employed such basic cost factors that would, if adopted, mean a large reduction in rates on all the longer hauls, apart from some specific commodities moving at a low rate, while on the shorter hauls (say up to 50 miles), rates would have to be increased. This result is necessary owing to the fact that, under Mr. Muller's method, each movement, no matter how short, would have to carry the whole of its terminal expenses. I merely, at the present time, note this fact in fairness to the witness and his exhibits. I do not, at the present time, further deal with the question of cost, but merely with the usefulness of the comparison resulting from the illustration of 25 Western railways in the United States with the Canadian Pacific in the West. It occurred to me at any rate during the hearing that the average so obtained might be useful, might mean nothing, or might be absolutely misleading, depending on the operating conditions of the different roads and other circumstances. After much consideration the tables seem to be only of statistical importance. I am of the opinion that such an average would appear merely to show the average result of good, bad, and indifferent railway operation of 25 companies at rates which, in many instances, in so far as local and commodity rates are concerned, probably would differ, or at least to the extent that operations in the different districts covered were concerned. Whether or not such an average did or did not show the result that should be attained by efficient management and with a reasonable rate structure must depend on the relationship the different component factors bear one to the other.

The highest gross profit earned by any Western Company mentioned in the exhibit is 91.39%. This of itself would seem to indicate either abnormal conditions of operation or abnormal rates. The lowest is 6.42%, evidencing

again, if the rate structure is at all similar or operating conditions at all comparable extremely inefficient management.

It is impossible to say that inflated earnings in the one instance bear such a ratio to losses in the other that the proper result to be obtained by efficient management and with a reasonable rate structure is to be found in the mean between the two. The profits of other companies in the list differ in degree, there seems to be no standard. The gross profit of three companies lies within the twenties; of five in the thirties; of six in the forties; of four in the fifties; of two in the sixties; of two in the seventies; and one in the eighties. I am of the opinion that it is impossible to say that the resultant average would represent proper practices on the one hand or errors on the other.

Of these Western Lines the returns show that eight of the Companies paid no dividends whatever on their common stock for the years 1911, 1912, and 1913; that one of the eight also passed its preferred stock dividends for the same three years, another for the years 1912 and 1913, and another for the year 1913; and further that one of the eight companies is in the hands of a Receiver. Of the remaining companies one paid no dividend on its common stock for the years 1911 and 1912, and another none in 1911.

It may be said that the real reason, is some instances for such a result, lies in the undue capitalization of companies. No evidence has been given before the Board on this point. If, however, the average gross profit of 50% is earned, one would expect to find at least something to apply, however insufficient, on the inflated capital account.

In this connection it is merely necessary to point out that one of the roads that has paid no dividend on its common stock in any one of the three years mentioned as a matter of fact has a percentage of gross profit over and above operating expenses as high as 56.33%.

Although Mr. Muller suggests through his different exhibits a gross profit of either 50 or 66⅔% on operating costs, as shown by his illustrated rates, he in his examination in chief adopts 50% as the proper rate for the Canadian Pacific in the West.

"*Chief Commissioner:*—You adopt the 50% for the West, and you do that because, as I "understand it, the earnings of 25 companies there show approximately 50%. Is that right?

"*Mr. Muller:*—Yes."

In cross-examination in further explanation Mr. Muller stated,—

"Why I suggest 50 or 66 2/3% as a measurement is simply because that is in harmony with "the average rate."

The witness, however, also said that the 50% was a factor that was bound to vary owing to different volumes of traffic, and was asked to supply the Board with information as to when the factor should be 30, 35, 40, or 50, according to traffic, or 60%. This information, or information of a like character, which would enable the Board to properly determine what this 50% or other ratio of gross profit would provide for and to what extent, under the different conditions of traffic, has never been furnished.

It perhaps could not be obtained, or, on the other hand, may not have been supplied in view of Mr. Muller's statement in cross-examination at a subsequent hearing. He was asked, " It (referring to an American Line), carries large quantities of a heavy commodity."

" Yes, at the fullest tractive capacity, although that does not mean that they charge an extraordinary high rate."

" Certainly not. You cannot predicate anything from this figure of operating ratio as to whether the rates are high or low?"

" No."

The witness further admitted that a low operating ratio may not be due to prosperous circumstances, but to the fact that the road is so poor that it is neces-

sary to hold the operating expenses down to a minimum, sometimes to the verge of absolute neglect.

He also admitted that the operating ratio is simply an index number and must be or is of meaning only when taken in conjunction with certain other items such as volume, and is only one step in the inquiry—that there is no average standard ratio of operating costs; but that there was an average derived by taking the volume of revenues and the volume of expenses incurred by certain representative carriers who are comparable or were thought to be comparable with the Canadian Pacific Lines East and West, as the case may be. He further stated, however, that there is no standard operating ratio in any place; and that the operating ratio fluctuates from year to year on the same road.

Mr. Muller also finally stated that he did not want to be understood as attaching any very grave importance to the operating ratio, and that the conditions and territory must be similar before any comparisons could be made.

It seems to me to be clear that the proportion of operating expenses to earnings varies greatly, that there is no standard; that the ratio as taken by itself is quite meaningless; and that all that can be said about it is that so long as the maintenance expenditures are sufficient the lower the ratio is, where operations are comparable and tariffs the same, the better the management.

In my opinion, no general effect whatever can be given to the rates Mr. Muller has worked out, either on the basis of 50 or a $66\frac{2}{3}\%$ gross profit. The final reason advanced by the witness why either of these factors should be employed was that these factors are in harmony with the average rate of gross profit earned by the 25 lines operating in the Western States. But he further has admitted that no comparison on this basis can be made unless conditions and territories are similar. These conditions, of necessity, cover rates and practices—volume of traffic, character of traffic, and the manner in which the movement is balanced, as well as climatic conditions and railway grades. For what useful purposes railways operating in the Southern States in the Western Division of the United States were included in the exhibits I am at a loss to understand. No evidence has been given or could be given that such similarity of conditions existed as would justify any comparison. The essentials stipulated by the witness himself are lacking. There seems to be no issue but that out of the whole 25 lines the only two closely comparable with the Canadian Pacific are the Northern Pacific and the Great Northern.

For 1911, the Northern Pacific is shown to have an operating ratio of 61.20% and a ratio of gross profit of 63.40%. Similar results for the Great Northern are 61.34% and 62.2% and for the Canadian Pacific 60.4% and 66.56%. For the year 1912 the like figures are for the Northern Pacific 60.16% and 66.22%; for the Great Northern 56.85% and 77.79%; and for the Canadian Pacific 60.91% and 64.17%. If the rates in the Canadian West are to be based, therefore, on the ratio of earnings of the two roads which are properly comparable with the Canadian Pacific, the Western situation requires practically no rate readjustment. But, as pointed out, these ratios in themselves mean nothing; they neither indicate a fair, high, or low basis of rates of necessity.

While arguing on another point in the case, namely, applicability of evidence adduced by the Canadian Pacific showing that in many instances, its rates were lower than those obtaining in the United States, Mr. Pitblado argued that there was no common factor between American and Canadian roads. Mr. Phippen's position was that higher rates should be allowed in Canada on the ground that higher wages were paid, that there was less density, fewer passengers, that there was a longer unproductive coal haul for locomotive fuel—to say nothing of the duty of 53 cents a ton—and that the Canadian Lines were subject to colder weather with a resultant greater loss of engine efficiency.

Mr. Cowan, in objecting to the reception of evidence as to the American Lines, stated that the evidence was not really relative, and that a proper com-

parison of the conditions in the United States would have to be taken into consideration, the volume of traffic, and everything.

The Board has no evidence before it which would justify it giving effect one way or the other to contentions which are based on American results.

On the question of the necessity of accounting with greater exactness and detail, if operating expenses plus an arbitrary allowance be adopted as the basis of freight rates, Mr. Muller states that the expenses accounts have been divided in as accurate, clear, and substantially sound a way by the Canadian Pacific as he has seen it done anywhere.

On the question of revenues, which are, of course also figures that have been made use of for the purposes of comparing results in the different Provinces, he says:—

"The total operating revenues have been divided on the same system which is in vogue in "the States as the result of an agreement, or, well, a resolution of the National Association of "Railway Commissioners, who at the time the resolution was passed adopted that method simply "as a long step forward in the right direction but by no means the last word on the subject. This "matter is now officially under consideration by the Interstate Commerce Commission for further "improvement and settlement, as it is universally recognized that to divide the total operating "revenue on a straight mileage basis, irrespective of terminal handling, is of very little use, except "perhaps for taxing purposes."

Referring still to the question of the divisions of revenue, he further stated that:—

"I do not want to say that they are even remotely correct in the present form. They are "not even remotely correct in their present form . . . . The terminal, in conjunction with the "road movement, must be considered the same as we consider it on the cost. I am not prepared "at this moment to state the regular mathematical formula or any particular system of working "it out on any particular railway; but I do claim and have made the claim in the past before other "tribunals that a method of that sort can be developed, and does not present any horrible diffi-"culties such as are usually represented by carriers in the States when the matter has been "broached."

It may be observed that not only was Mr. Muller then unable to supply a proper formula for dealing with the question of revenue having reference to terminal expenses as between the different divisions at the time this evidence was given, but that the information was not forthcoming during the whole course of the inquiry. He further states that the divisions as made and the accounts as kept do not show whether a particular division (that is, operating division), has been profitable or unprofitable, because one of the two basic factors in the calculation is not stated in the same relative exactness as the other basic factor. On being asked to explain what that meant he states because in one instance the terminal expense—in the expense case—is physically allotted to the particular division as it accrues there, yet the revenues accrue in the same spot in the same proportion necessarily as the expenses; that they are not credited on any such basis, but that the length of haul simply is measured no matter what has happened on it; and because that haul is 200 miles out of an 1,800 mile haul, or out of a 3,000 mile haul, the matter is treated on the basis of a 200 mile earning, or 200/3,000ths of your revenue, while the initial expense is all incurred in the 200 miles.

In answer to Mr. Chrysler, Mr. Muller said:—

"In this particular instance, the amount of through traffic on which the revenue had to be "divided between the East and the West, or upon which the revenue was divided between East "and West on a straight mileage basis, would tend to weaken the liability of the respective ratios. "Now how much of an effect that will have I cannot say, because I am not prepared to tell . . . . . "The further you get away—just on account of that revenue mileage division—the further you "get away, the greater or more complicated you make your divisions, the greater number of sub-"divisions you make, the further you get away from the real truth."

Mr. Muller further said later on in his examination:—

"For this purpose they (the accounting divisions made by the Company), are grossly incorrect. "They were not intended for this particular purpose to begin with."

"Q.—When you say this particular purpose you mean the question of rate structure?

"A.—The question of cost, and not only the question of cost but the question of revenue "and expense relating to a specific operating division. The revenue is divided upon one basis "and the expense upon an entirely different basis, so that the ratios which you get by setting "up revenues against expenses are misleading. That is the result."

The difficulty that the witness pointed out which exists under the present method of preparing results along the different portions of the railway is quite clear. The terminal operating cost, instead of being carried through the haul for which it was necessary, is charged to the division in which the terminal cost takes place, while the revenues resulting from the service are not attributed at all to the terminal expenses, but merely on the basis of per ton per mile haul.

Mr. Muller has submitted very elaborate and exhaustive calculations and tables with a view of arriving at a basic cost price for the different railway services performed by the different carriers. His investigation is declared by himself in his first exhibit as being directed to the determination of (1) the operating cost of the service, and (2) a consideration of the elements constituting a fair return upon the investment employed therein. Basic costs differ in the case of different railways, and will always continue to do so apart altogether from either wages, cost of material, and supplies, or climatic conditions. The greater the volume of traffic up to the point of normal capacity and the more evenly the flow of traffic in all directions is balanced to avoid empty hauls, the lower the operating costs per unit will inevitably be, so that the same system of rates applied to several competing railways necessarily must produce results, varying in degree, reflecting the apparent disabilities of the separate lines.

In arriving at cost, Mr. Muller divides the total tons of revenue freight moved one mile into the total freight revenue collected during the same period, thus obtaining his revenue per ton mile, and by dividing the total tons of revenue freight moved one mile into the total freight operating expenses during the same period, he arrives at the operating cost per ton mile, his net revenue per ton mile of course being obtained by deducting the resultant operating cost per ton mile from the freight revenue per ton mile. The resultant figures are, of course, average figures. They do not in any sense profess to show either an actual return or an actual cost to the railway. The figures are the result of all the railway's freight activities. The resultant average, therefore, of necessity includes traffic moving on the one hand at low commodity rates and on the other merchandise moving at first class rates as well as local traffic on the one hand and through traffic on the other. It is manifest that the cost or returns in any one of these cases cannot bear any necessary ratio one to the other. The average cost so obtained is carried into the different classes at an advanced ratio for the higher classes built up on a consideration of the classification. If the basis of the classification was cost so that the ratio of the higher classes to the lower ones expressed the added cost to the railway company, this would seem to be correct. As a matter of fact, however, cost is merely one element. Many of the articles contained in the first class, for example, as compared with the fourth, cost no more to handle, but the classification was in large part built up not only as the result of the consideration of what the value of the service was to the shipper but also of the increased risk to the carrier, and is nearer related in ratio to the greater value of the article than to any increased cost to the railway.

The matter was presented to the Board in a very complicated manner, and the cross-examination of the witness and its results can be also so described. Mr. Muller himself describes the situation in this way on being asked as to what was meant by the statement that the figures were average figures:

"They are not specific costs relating to a specific movement or a specific commodity in any "sense. I think it is pretty well recognized that it is practically an impossibility in transportation "work to ascertain specific costs for handling any specific commodity or performing any specific "service, due to the fact that the transportation service is composed of multifarious and exceed-

"ingly numerous individual items and services far more diverse than usually is the case in most "manufacturing and mercantile establishments where costs are used. So that the only basis "which can be developed at this present time—at least with such statistics as are available—"is an average basis in which all the various kinds and characters of freight services are mixed "and levelled. By using the car as a unit, however, in developing cost of service, and then apply-"ing the loading per car as a divisor to the cost unit so obtained, you get the cost unit per rate "measure. I think we have come nearer to a sound measurement of a charge than has been "done under any other method of treatment hitherto."

Many of the different 116 items contained in the railway returns as ordered by the appropriate authorities cannot be apportioned directly to the expense of either passenger or freight operations. Mr. Muller in Exhibit 91, Series 2, Sub-exhibit 10, Sheet 4, gives an analytical summary of his results. The Exhibit deals with the operating expenses of the Canadian Pacific Railway Company for the year 1911 showing a total expense of $63,627,293.98. The expenses he has allocated for freight amount to $40,363,998.70 and for passenger traffic $23,263,295.28. The different 116 accounts, the sum of which gives the total, are not accounts which Mr. Muller deems capable of being considered upon any common basis, and in this I would agree. The result is that there are nine different methods adopted in dealing with the different accounts. They are as follows:

1.	Distributed direct without division (expenses chargeable directly to either service)	$ 6,251,598.22
2.	Distributed on basis of combined road and switching locomotive miles	10,800,158.03
3.	Distributed on basis of revenue service locomotive miles	13,771,920.34
4.	Distributed on basis of relative terminal and yard movements	3,788,650.96
5.	Distributed on basis of car-miles	5,796,613.10
6.	Distributed on basis of train miles	11,834,329.90
7.	Distributed on basis of gross revenue from freight and passenger service	5,625,387.72
8.	Distributed on basis of group totals of functional primary accounts	3,909,487,93
9.	Distributed on basis of combined totals of general accts. I, II, III, and IV	1,849,147.78
		$ 63,627,293.98

The final conclusion, as stated at the hearing, but not at all clearly, is that the result is an average based on the arbitrary adopted by the witness followed by a segregation of classes based on a percentage which may be called to be an average on the average thus obtained in the first instance.

A serious difficulty has arisen affecting the reliability of Mr. Muller's results in dividing costs as between carlot and less than carlot traffic, Mr. Muller was asked at page 8818, Volume 188:

"Mr. Muller, you have nothing to show what moves in carload and what in less than carload "lots?

"A.—I have not."

It was further developed that his whole information on the subject was obtained by an inspection of the classification which showed that certain commodities would move one way and certain another, but that the classification would have very little bearing on and really give no indication of the volume of the actual shipments that took place, or the relative ratios that carlot traffic bore to less than carload lots.

Dealing with basic costs per 100 lbs., as applying to "commodities, carlot and less than carlot, loaded, transferred, stored, unloaded, and stored for delivery by the railway," take, for example, business in Manitoba, the total carlot commodity traffic is placed by Mr. Muller at 3,858,574, while the total class rate, carlot and less than carlot tonnage, was expressed at 5,300,914. The division thus made is not contained, apparently, in the Company's exhibits. Mr. Muller thought that the information must have been obtained from the Company and had the opportunity to verify his figures after the correctness of the division was challenged. The matter has not since been cleared up, and

there apparently has been a mistake all round. The railway company claimed at the hearing that the commodity traffic was very much greater than shown, and that the class rate, both carlot and less than carlot tonnage, ought to be in the neighborhood of 1,800,000 instead of 5,300,914, and that the figure of 3,858,574, adopted by Mr. Muller, only showed a partial list of commodities prepared for the President's use and not illustrative of the whole commodity movement at all. The division was a matter of importance, particularly in regard to the item of additional freight, switching, and terminal yard expenses. The matter is left in this way:

"*Mr. Chrysler:*—That gives you, then, if you will pardon me as a layman for saying so, in "an imperfect way a figure for additional freight switching. We have not got the correct figures "at all. Whether they can be obtained or not, I do not know.

"*Mr. Muller:*—Of course, that is the problem."

All that Mr. Muller himself claims is that, in this instance, his cost items are as well worked out as it is possible to work them out with the information he has before him; and as to this I agree, but am of the view that it is impossible for the Board, with the information before it, to give effect to the cost units developed by Mr. Muller and treat the basic costs as estimated by him as the decisive factor in rate-making.

I entirely agree with the Judgment of the Interstate Commerce Commission in Boileau v. P. & L. E. R. R. Co., 22 I. C. C. R. 640. Basic costs were developed in this case which brought into issue the coal rate in carload lots from Pittsburg, Pa., to Ashtabula Harbour, O. A very careful analysis of cost was made in this case, and, if I remember rightly, by Mr. Muller himself. It is stated, however, in the Judgment of the Commission, written by Mr. Commissioner Meyer, at page 653:

"All of which, however, simply goes to confirm the view that, in the absence of reliable figures "which represented the value of the property, estimates of cost, such as those which stand upon "the record in this case, are mere approximations, especially when applied to a specific branch "of the traffic, which are interesting and to a certain extent useful as general guides, but which "cannot be relied upon as decisive factors."

One of the most recent Judgments of the Interstate Commerce Commission is that written by the Chairman of the Commission in the case of Youngstown Sheet and Tube Company vs. P. & L. E. R. R. Co., 29 I. C. C. R., where the Judgment in the Boileau Case above referred to is approved.

The witness himself, while confident of the ultimate correctness of his theory when developed on proper statistics, after examination in the box is shown to lack that certainty when considering the rates which are suggested by him as a solution of the Western Rates situation necessary to justify their acceptance by the Board. For example, on being examined as to the division to be made between passenger locomotive miles he was asked this question:

"It (referring to figure used by the witness), is only sound in this extent you know there "must be some passenger locomotive miles and the balance yard switching locomotive miles, "but how much should be allotted to one service or the other you don't know. That is true?

"A.—No, you are making your guess in the best manner in which you can make it. That "is as much as anybody can do. It depends entirely on the correctness of the underlying premises "who is the best guesser."

It may be observed that the witness would not even hazard the information that he was "the best guesser," although his view really seemed to be that the Board should do the "guessing," as he says in another part of his examination and upon another point:

"There is some guessing to be done in this work from beginning to end, and at least five "gentlemen are here for that purpose, I think."

Again:

"*Chief Commissioner:*—How do you think we can lump that movement for the purpose of "seeing what the actual costs are?

"A.—I could not suggest.

"Q.—Unless we guess at it?

"A.—That is about all that is left for you to do, Mr. Commissioner."

Again:

"I think there was no substantial difference of opinion as to the impossibility of getting "switching service allocated on anything but an arbitrary basis and it is just a question of which "guess is the best."

Again:

"As to the actual percentage of the overhead that is actually earned by the carrier on the "volume of traffic moved, none of us in this room can possibly make any guess, because we do "not know how much traffic moves under each individual rate. It seems to me rather a waste "of time to even attempt to guess at it. It would be the wildest kind of guess."

No distinction whatever has been made as between the volume of local and through freight. This certainly was not the fault of Mr. Muller as the accounts with which he was supplied do not give the necessary information and the Company stated it did not have it. Mr. Bicknell, however, filled Exhibit 115. This Exhibit is based on the basic average Canadian Pacific cost in Manitoba, as found by Mr. Muller, and applies these costs to local and through traffic. The result is that his basic cost for a carload movement for a 50 local mile haul as compared with 50 miles part of a through haul is four and a third times as expensive, while a local haul of 500 miles as compared with 500 miles part of a through haul is one and a half times as expensive. It also shows that in the less than carload movement for the 50 mile distance the local haul is eight and one-sixth times as expensive, and for the 500 mile distance the local haul is one and three-quarters times as expensive.

The difficulties, so far as the allocation of switching is concerned, not only as between freight and passenger expense but also as between local and through freight expense, in the absence of any reliable data and resulting merely from an average arrived at on the arbitrary suggested may be instanced by referring to Mr. Muller's evidence when he declined to assign any fair or proper average or to speak in general terms as to a switching rate, and stated that the cost of switching cars at terminals varied from 10 cents to $5.50 a car.

It is quite obvious that results obtained by mere averages without information at all as to the actual volume of business moving in the different classes or in carloads as against less than carload lots, and the manner in which traffic moves having regard to shunting and other common services, or statistics showing the volume of local as compared to the volume of through traffic, go in a large manner to make Mr. Muller's conclusions more or less a guess, as, in some instances, admitted by himself, such results so qualified manifestedly afford no consistent basis for rate making. I would not have thought it necessary to have discussed this issue at so great length had not Counsel for the Government in his final argument, still insisted on the adoption of the cost basis as presented. It has never been accepted either by a railway voluntarily or as the result of an Order by any Commission. While there is much to commend in the theory, it is at present impossible to adopt it.

It is to be noted that Mr. Muller points out that, in connection with the cost basis, the same situation is before the Interstate Commerce Commission now on a separate investigation, and the Commission is seriously considering changes in the annual reports of carriers necessary in order to furnish a current basis for cost comparisons, and that the question as to rendering it obligatory for railway companies to distinguish between freight and passenger costs has been under consideration for twenty-five years of the Interstate Commerce Commission's existence; that he had the returns for a number of years in his office, that in 1894 the entire work was abandoned because the Committee of

twenty-five was at loggerheads on the subject; that the Commission did not go ahead, but had since taken the question up; and that one of the statisticians of the Commission was now engaged on the subject.

The accounting and statistical work of that Commission is of a very high order being up to the general standard of efficiency established and maintained by that Body.

In my view, the Board is well advised if it also hesitates at the present time to adopt the arbitrary method of rate-making to which the Interstate Commerce Commission has not, at any rate as yet, been able to lend its countenance.

But over and above all this, it would be quite impossible for the Commission to order the adoption of rates on the basis and as suggested by Mr. Muller. He himself describes a period of five years as a proper period for statistical comparison and a proper period of time for which to consider the activities of a given company so as to best arrive at a conclusion as to what a rate should be; and that the rates based on his cost system should be adjusted in 5 year periods. He has admitted that he knows nothing as to how much of the earnings of the Canadian Pacific are obtained from through as compared with local freight.

Perhaps the main reason why the returns of the Canadian Pacific are so much more favorable than the returns of the Canadian Northern and of the Grand Trunk Pacific is that the Canadian Pacific gets the benefit of through freight both East and West of the Prairie Provinces. That Company enjoys the through haul not only on its own business, but also on the businesses of the other systems in so far as their through business is carried in Canada. The Grand Trunk Pacific hopes to have its through connections some time during the present year; the Canadian Northern should finish the construction of its main line certainly some time the year after. The railway situation would then be entirely changed. The monopolistic advantages of the Canadian Pacific that have been referred to will disappear. The through business, to a greater or less extent, will be divided between the three lines. Doubtless the business of the country will increase—in my view it is bound to increase—and that the check in railway earnings—which the result of the last few months shows—does not indicate a changed condition of a permanent character, but only evidences a check in an onward movement which is nevertheless certain. There will, however, be three sets of overhead expenses in place of one to which the through traffic will be subject, and it is very doubtful that the natural increase of the country's business will recoup the Canadian Pacific—at least for some time—for the losses of business that line will experience not only by the completion of the two others systems, but in view of the further fact that the Canadian Pacific has, during the period under observation, earned large sums of money in respect of traffic which must cease entirely, that is the revenue that it has obtained in handling the materials, supplies, and men that the building of the other two lines has required.

On all grounds I am of the opinion that it is impossible for the Board to adopt Mr. Bicknell's contentions, and the tariffs that he has submitted through Mr. Muller.

XV.

As already pointed out, the Board must take into account the fact that the Western business will be divided in the future among three railway companies, and that the present returns of the Canadian Pacific cannot be taken as of necessity showing the continued earnings of that Company. Reference may be had to the Government statistics for the year ending June, 1913, from which some indication may be obtained as to what the result of operation of the competing lines as through lines on the revenues of the Canadian Pacific may be.

The recapitulation of the freight traffic movement of the Canadian Pacific for the year ending June 30th, 1913, shows that its total tonnage amounted to 29,471,814 tons, out of which total 21,044,667 tons originated on the Company's lines, and 1,968,429 tons were received from lines operating in the United States, while 6,458,718 tons were received from other lines operating in Canada. It is impossible to determine whether the completion of the Grand Trunk Pacific and Canadian Northern Systems will result in much loss to the Canadian Pacific of the traffic it now receives from American carriers, amounting to 6.7% of its total traffic. It is quite clear, however, that a great loss of traffic now received from other Canadian Lines will ensue. This traffic amounts to no less than 21.5% of the whole; and beyond all question Grand Trunk and Canadian Northern traffic will no longer be routed via the Canadian Pacific, except when billed to exclusive Canadian Pacific points.

While it was stated by the railway witnesses, that the policy on which rates had been struck had regard to the necessities of an agricultural population, and while this appears to me to be a sound policy and in the best interests of the West, that policy has not been consistently carried out.

The rates which, in the first instance, were fixed by the Canadian Pacific in Western Canada, have been subject to only three important changes since the Company commenced its operations.

The first variation was brought about by the Act providing for the construction of the Crow's Nest Branch of the railway company. Full effect was given to the reductions called for under the Act in September, 1898. The reductions which the Company made in consideration of the subsidy granted by the statute (60–61 Victoria, Chapter 5), were on its general rates and tolls upon the specific classes of merchandise mentioned in the statute. On the thirteen classes of merchandise mentioned, reductions of 10% were made in the rates applying to eleven, a reduction of 20% in the rates on coal oil, and 33⅓% in the rates on all green and fresh fruits. The Act also called for a reduction on grain and flour rates of 3 cents per 100 lbs. As a result the 17 cent rate from Winnipeg to Fort William became, on September 1st, 1899, fourteen cents,—similar reductions of 3 cents being made in the rates from other shipping points.

The next reduction was forced upon the Canadian Pacific as a result of an agreement entered into by the Canadian Northern with the Government of Manitoba. As a result of that agreement, the 14 cent grain rate from Winnipeg to Port Arthur and Fort William became 10 cents, and reductions approximating 15% of the tariff rates on all other freight were made. The result of the agreement was that, although the operations of the Canadian Northern at that time were comparatively small, for competitive reasons the Canadian Pacific was compelled to accept the scale of rates that the Canadian Northern had been paid to adopt, and to put into effect decreases which, according to the evidence adduced by Mr. Cowan, the Canadian Pacific thought could but result in the insolvency of the Canadian Northern. On the assumption that the existing Canadian Pacific Railway tariff, in force prior to the Manitoba agreement, represents 100, the Canadian Northern's rates were made 85 in Manitoba; and the Canadian Pacific, as the result of the competition of the Canadian Northern at the lower rate, reduced its rates also to 85. Complementary to this action, the Canadian Pacific reduced its rates in Saskatchewan and Alberta to 92½. The reduction in Saskatchewan and Alberta does not seem to have been brought about either by agreement or by competition. Scaling as they do 15% off the standard so reduced, town tariffs in Manitoba were reduced to 70, and in Saskatchewan and Alberta to 77½.

The third reduction of moment in Western Rates is that which went into effect on the first of April, 1912, as the result of the Board's Order made on the complaint of the Regina Board of Trade.

The complaint which was remedied by the Order issued was that freight could be shipped from Fort William into Winnipeg and from Winnipeg shipped

to points west of distributing centres in Saskatchewan and Alberta, at lower rates than the same goods could be shipped direct from Fort William to the redistributing centres in Saskatchewan and Alberta and shipped therefrom to the same points west of distributing centres in Saskatchewan and Alberta. The result of the relief granted under the Board's Order was to reduce the fourth class rate, Winnipeg to Regina, from $1.17 to $1.02, other classes being scaled accordingly. The higher scales applying in Saskatchewan and Alberta on shipments from Saskatchewan or Alberta distributing points were left untouched. Conversely, movements from the surrounding country to town centres still remain as under the former scales.

In addition to the reductions already noted, a reduction of rates in British Columbia resulted from the Judgment of the Board in the Coast Cities Case.

As a result of the Act relating to the construction of the Crow's Nest Line, the Canadian Pacific had made tariffs of reduced rates upon the classes of merchandise referred to in the statute, not only from Fort William and points East thereof westerly, but also from Winnipeg westward, without similarly reducing rates on the same classes of merchandise from "Pacific" points eastward. The Board's Order required that similar reductions for the same classes of merchandise should be made in the rates from Vancouver eastward.

XVI.

Standard Freight Tariffs.

As required by the Act, Standard Freight Tariffs of the Canadian Pacific have been filed. There are no less than five mainland scales west of Lake Superior, which constitute the standard tariffs of maximum mileage freight tolls under section 326 of the Railway Act. They are:

(1) The Manitoba scale, which is in effect throughout Manitoba, excepting the Canadian Northern's Le Pas Line, and in Ontario west of and including Port Arthur (this portion of Ontario will hereafter in the judgment be called New Ontario). Its general basis is 15% lower than the Canadian Pacific's maximum mileage tariff No. 270 of 1894, which covered the entire territory between Lake Superior and the Rockies. This is the reduction which has been already pointed out as required to be made by the Canadian Northern as a result of the Bond Guarantee Act of Manitoba, Chapter 39 of the Statutes of 1901.

(2) The Saskatchewan scale, in effect throughout Saskatchewan, also in Alberta, excepting the short Canadian Pacific Mountain section of 50 miles between Canmore and Laggan, and the Grand Trunk Pacific west of Thornton. It applies also on that portion of the Canadian Northern's Le Pas line within Manitoba. This scale is generally 7½% lower than the uniform "Prairie" tariff No. 270 above mentioned, the reduction being complementary to that made in Manitoba by the Canadian Pacific. It was voluntary on the part of the Company which was at that time the only company operating in Saskatchewan and Alberta. This rate basis was adopted by the Canadian Northern in those sections of the two provinces opened up later on by that Company.

(3) The "Mountain" scale, in effect on the Canadian Pacific's rail lines west of Crow's Nest and Canmore; also on the following railways under Great Northern control, viz., the Crow's Nest Southern, the Bedlington & Nelson, the Red Mountain, the Nelson & Fort Sheppard, and the Vancouver, Victoria & Eastern east of Kilgard, B. C.

This latter scale is built up on the same prairie mileage tariff of 1894; but, owing to the greater cost of construction and operation in British Columbia, one mile is counted as two prairie tariff miles for distances up to 220 miles; those over 220 miles, and up to the schedule's limit of 750 miles, being graduated on a somewhat lower though indefinite basis, so that for 750 miles the first-class rate is $2.42 instead of $2.95 as it would be on the two for one basis, being a mileage in-

crease of 46⅔ per cent. No abatement in British Columbia followed the prairie reductions of 1902.

(4) The "Lake" scale between ports of call and landings of the Canadian Pacific Railway steamers and barges on Arrow, Kootenay, Slocan, Trout, and Okanagan Lakes and the Columbia River; also on the two remaining Great Northern controlled properties; viz., the New Westminster Southern, and the Vancouver, Victoria & Eastern Railway west of Kilgard, B.C.; and on the lines of the British Columbia Electric Railway Company.

This scale is virtually the flat prairie Tariff No. 270 of 1894. The Great Northern's maximum rates on the two rail sections named are the same as those of the Canadian Pacific on the inland water stretches, because the Board required them to be so,—these lines being in the Vancouver-Yale district; and the same is true of those lines of the British Columbia Electric Company which are subject to the jurisdiction of the Board.

(5) The "Lake-and-rail and Inter-Lake" scale, applicable to traffic interchanged between the Kootenay Lakes, and between the steamer landings and rail stations of the Canadian Pacific in West Kootenay and the Boundary district. This scale is considerably higher than the last mentioned "Lake" scale, but somewhat lower than the "Mountain" scale (No. 3).

I am of the opinion that these five scales should be reduced to three, which might be called "The Prairie", "The Pacific", and "The B. C. Lakes" Standard Tariffs, in the following manner and for the following reasons:—

"Prairie" Standard Tariff.

I would make this tariff apply between all points in New Ontario, Manitoba, and Saskatchewan, and in Alberta north to Athabasca Landing and west to the present limits of operation of the Canadian Pacific and Canadian Northern (excluding the Canadian Pacific west of Canmore); the ultimate limits north of Canmore to be fixed when the operation of these railways has been extended westerly.

The maximum basis to be that of the standard tariff of maximum mileage rates now in force in Manitoba and New Ontario; but the initial mileage group of ten miles is to be split by the addition of a 5-mile group, the maximum rates for this new group to be as follows:—

	1	2	3	4	5	6	7	8	9	10	classes
Not over 5 miles.....	10	8	7	6	5	5	4	4	4	3	cents

As the present Manitoba Standard Tariff is restricted to 1,500 miles, it must be extended so as to cover the increased area. 2,100 miles will provide a sufficient mileage and rates for all possible movements on the Prairies. The extended scale which should be added to the present Manitoba scale and adopted for the "Prairie" territory has been worked out by the Chief Traffic Officer of the Board as follows:—

Miles	*1st*	*2nd*	*3rd*	*4th*	*5th*	*6th*	*7th*	*8th*	*9th*	*10th*
1550	254	211	169	127	116	104	75	62	104	62
1600	257	213	170	128	117	105	76	63	105	63
1650	260	215	171	130	118	106	77	64	106	64
1700	263	217	172	131	119	107	78	65	107	65
1750	266	219	173	133	120	108	79	66	108	66
1800	269	221	174	134	121	109	80	67	109	67
1850	272	223	175	136	122	110	81	68	110	68
1900	275	225	176	137	123	111	82	69	111	69
1950	278	227	177	139	124	112	83	70	112	70
2000	281	229	178	140	125	113	84	71	113	71
2050	284	231	179	142	126	114	85	72	114	72
2100	287	233	180	143	127	115	86	73	115	73

The Western terminus of this standard tariff to the Grand Trunk Pacific remains to be determined. At present its "Mountain" scale commences at Thornton, Alberta, 121 miles West of Edmonton. The Canadian Pacific's Main Line "Mountain" scale starts at Canmore, which is only 68 miles west of Calgary, and Canmore itself is within the mountains. The Grand Trunk Pacific first applied for approval of its "Mountain" scale from Edmonton West, a proposal which the Board rejected as untenable. The Board's Chief Engineer reported at this time that Mr. Schreiber, Chief Government Engineer, acting as arbitrator, had fixed Wolf Creek, Alberta (as Thornton was then called), as the point of division between the company's "Prairie" and "Mountain" sections, and accordingly this point was adopted by the Board. The Company's publication "The Canadian Rockies", at page 7, states that "Prairie Creek (Hinton), is practically "the entrance to the mountain region". Hinton station is 185 miles from Edmonton, or 65 miles further West than Thornton. Again, from the same pamphlet,—"197 miles west of Edmonton the Railway enters what is known as the foot-hills", and this is 12 miles still further West. The grades are lower on the Grand Trunk Pacific than on the Canadian Pacific. I am of the opinion, therefore, that the "Prairie" scale should be continued to Hinton.

The result will be that the higher scale applying in Saskatchewan and Alberta disappears. This relief was specially asked by the Provinces of Alberta and Saskatchewan.

As defined in this case there is a distinct difference between *density of tonnage* and *density of traffic*. The results obtained in each instance widely differ. The former shows all freight movement irrespective of its origin or destination. The latter deals only with freight originating or delivered in a given division. Mr. Muller stated that there was a distinction between so called *traffic* density, which represents nothing in the world but the originating and terminating movement, and the *tonnage* density, which is the yard stick applied to the movement over the line irrespective of where it came from and how far it moves.

Beyond all question the density of tonnage in the railway division of Manitoba is much greater than in the railway divisions of Saskatchewan and Alberta. The figures for 1911 show a movement of 982,888 for Manitoba and only 499,382 for Saskatchewan. The railway companies' justification for the higher rate basis of Saskatchewan and Alberta is based on these results, the operating conditions in the Prairie Provinces, in so far as climate, class of commodity, and expense are concerned, being very similar. Mr. Cowan, however, argued in effect that the density of traffic was such as to justify a similar rate. His position is stated probably as briefly in his argument on this point as it can be clearly abstracted. It is as follows:

"What that exhibit does show, however, is a reason why there should be equality between "Saskatchewan and Alberta and Manitoba. In 1912, the 1811 cars referred to in those exhibits "as representative of various commodities shipped from Fort William via the Canadian Pacific "were distributed as follows:—

"To Winnipeg, 822 cars, or 45.34 per cent.

"Manitoba, 90 cars, or 5 per cent.

"Saskatchewan, 356 cars, or 19.66 per cent.; and

"Alberta, 543 cars or 30 per cent; and taking the two provinces together, 49.66 per cent. "of the entire shipment.

"Now of these cars you will observe that 822 went into Winnipeg and the remainder, or half "of them, went outside of Winnipeg to the Provinces of Saskatchewan and Alberta. But those "going to shippers in Winnipeg were again shipped out in L.C.L. lots to a certain extent, and "probably to points in Saskatchewan and Alberta, or probably re-consigned.

"It will, therefore, be seen that outside of the shipments to Winnipeg, the great bulk was "to Saskatchewan and Alberta, and a very large percentage of the 822 cars shipped to Winnipeg "would be, as I have said, reshipped from there to stations in Alberta and Saskatchewan, as shown "in Canadian Pacific exhibits 95, 96 and 99.

"In exhibit 95, filed by the Canadian Pacific Railway, it is shown that carload shipments "from Winnipeg for the month of June, 1912, were distributed as follows: I asked the Commission "to note the way in which these cars were distributed between Saskatchewan and Alberta and "Manitoba.

"Ontario got 26, that is West of Port Arthur.

"Manitoba 86 or 18.67 per cent.

"257 went to Saskatchewan and 225 to Alberta and 6 to British Columbia, or 81.33 per cent.

"The weight of those was 18 million pounds and the earnings $81,000.

"Now exhibit 96, filed by the Canadian Pacific, gave the carload shipments from Winnipeg "for December, 1912, 142 cars.

"Two of them went to Ontario and one to Manitoba, or two per cent.

"51 went to Saskatchewan and 84 to Alberta, or 95 per cent.

"And four of them went to British Columbia, or 3 per cent.

"Showing that these cars according to these exhibits filed by the Canadian Pacific Railway "and no doubt correct, for December, 1912, were chiefly for Saskatchewan and Alberta, and, "therefore, they clearly show the trend of the traffic. And I am advancing those exhibits not "only against the railway company but for the purpose of showing that equality of rates should "be had between Saskatchewan, Alberta, and Manitoba.

"That was for December, and the next is exhibit 99, for the week ending June 7th, 1912. "There were 138 cars went out for that week.

"Of these four went to Ontario, and to Manitoba 15, 13.77 per cent.

"To Saskatchewan 89 and to Alberta 30, or 86.23 per cent.

"The total carload shipments were 4,132,380 pounds and the revenue $18,279.

"Now there was a less than carload shipment went out of 4,817,246 pounds, upon which "was earned $29,593, but that does not show the points to which it was shipped and I am, there-"fore, unable to give them."

"Now I have here a document which probably should have been filed before as a portion of the "case, but my learned friends are not affected by it, in that sense. It is given me by Mr. Mc-"Donald, who vouches for its accuracy and it is taken from the records of the Dominion Govern-"ment Inspection Department, a report of the crop for the years ending August 31st, 1910, 1911, "1912, and 1913. I do not want to go over this in detail more than to show that, say, for 1910, "there were 63,000 cars shipped from Saskatchewan and 8,000 from Alberta. I am using round "figures.

"And in 1913 there were no less than 111 thousand cars from Saskatchewan and 36 thousand "from Alberta.

"Now in Manitoba in 1910 there were 43 thousand cars of wheat, and 51 thousand in 1913.

"So that you will see the enormous increase in the growth of wheat and the enormous ship-"ments of wheat out of Saskatchewan and Alberta, which count in the density of traffic of Mani-"toba, as compared to the shipments of wheat out of Manitoba. Being 51,247 cars in 1913 "for Manitoba; 111,570 for Saskatchewan, and 36,258 for Alberta.

"For the three years ending August 31st, 1912, there were 391 thousand cars shipped of "which 143 thousand were from Manitoba, or 36.50 per cent.; while Saskatchewan and Alberta "shipped 248 thousand, or 63.50 per cent.

"For four years ending August 31st, 1913, there were 580 thousand cars shipped; of which "Manitoba shipped 194 thousand or 33 per cent.; and Saskatchewan and Alberta 386 thousand "or 66 per cent.

"The percentages for the 1912 crop are: Manitoba 27.10 per cent.; Saskatchewan and Alberta 72.90 per cent.

"A summary for the years 1910 to 1913, gives Manitoba 194 thousand cars or 33.43 per "cent.; Saskatchewan and Alberta 386 thousand cars or 66.57 per cent.

"Those are exhibits showing the traffic into these Provinces and the traffic out, and they "show the reasons why there should be uniformity of rates, besides the operating conditions "being similar."

On the issue of discrimination between the East and the West, it was argued vigorously on behalf of the complainants that density of traffic of all kinds whether merely passing through a division or not, on the one hand, and cost of operation on the other, were the only two features which possibly could be taken into consideration. On the Canadian Pacific lines the useful summary of the different exhibits prepared by Mr. Pitblado shows that for the year 1911 density of *tonnage*, which, of course, is illustrated by the revenue ton mile movement per mile of road, shows the whole movement for the four Eastern divisions amounted to 752,756 tons; and the total for the four Western divisions amounted to 765,184 tons; while on the question of density of *traffic*, that is the density of traffic originating or delivered in the territory covered by the statistics, the figures are reversed, the Eastern Lines forwarding 2,799 tons per mile of road and receiving 3,059 tons; the Western lines forwarding 2,140 tons and receiving 2,179 tons.

Mr. Pitblado appearing for the Winnipeg Board of Trade, stated that Manitoba did not desire any better treatment than, or advantage over, Saskatchewan and Alberta,—Provinces which have developed, as stated by Mr. Pitblado,

under somewhat similar operating conditions. Mr. Pitblado's position was limited by a rider that the position would be otherwise, if the Canadian Northern were adopted as the standard road. It is somewhat hard to understand what difference in principle that would make. I do not think it necessary to determine whether the basis urged for Saskatchewan and Alberta as against the East, or the argument leading to an entirely different conclusion made as against Manitoba, should prevail. In my opinion, in any event the Manitoba scale should be adopted as the scale for the Prairie Provinces, and that the Board should so order. The action of the Board itself in the Regina Rates Case seems to me to be a sufficient justification of a complaint which covers not only movement into Saskatchewan and Alberta distributing points but out of them, as well as all other local rates, and that the principle on which the Board reduced the rates in the above case must apply to the present complaint. It is to be borne in mind that the class of commodities offered for carriage and the climatic and operating conditions of the districts are very largely the same, and that, as pointed out by Mr. Cowan, the operating divisions do not merely include lines within the Provinces, but, as already stated in the case of Manitoba, include both Ontario and Saskatchewan territory. To treat the case, therefore, merely on the question of density of tonnage would be simply to use traffic derived in part from Saskatchewan itself as a reason for denying Saskatchewan the removal of a discrimination existing in the territory subject entirely to like operating conditions.

"Pacific" Standard Tariff.

Beyond all question both the initial construction and railway operation through the mountains, are much more expensive than operation on the prairies. Some differences in rates at the present time are not only justifiable but necessary. It is not contended on behalf of British Columbia that operation through the mountains is not much more expensive. The extended calculations made by the Canadian Pacific are not challenged. As a matter of fact, it would not appear that they could be. It is, however, contended that these higher operating costs of British Columbia should be, to adopt the words of the witness, "smeared" over the system, so that British Columbia would have the same rates as those applying for the Prairie Provinces. Effect cannot be given to this contention. As pointed out by Mr. Cowan, cities on the Coast, under the provisions of the long and short haul sections, obtain direct advantages, in view of the fact of water competition, over cities in the interior, with the result that the railway company carries freight from the East at a lower rate to Vancouver than, for example, to Kamloops, and that the disadvantages of the geographical situation of the provinces must apply as well as its advantages. While all this is so, on the other hand, the earnings of British Columbia have not been ever properly credited to it, and cannot be so credited under the present system. The Province has also received no benefit from the reductions made in Manitoba, Saskatchewan, and Alberta subsequent to the Manitoba legislation referred to. On the grounds of the decision in the Coast Cities Case, in principle I am of the opinion that the province was entitled to reductions on the ground stated in the judgment of the late Chief Commissioner, the Honorable Mr. Killam. I am, also, of the view that, notwithstanding the high cost of conducting railway operations in British Columbia as compared to the cost on the plains, in justice to that province a radical change must be made in its standard tariffs. In order to put into effect the reduction which the Board finds to be reasonable and fair, the Board's Chief Traffic Officer has worked out a new tariff. This tariff includes, on the line opposite the mileage, the present rates, and the line immediately under, those now ordered, so that the changes made may be at once seen, without leaving room for future controversy, as to what the new tariff will be. The tariff is as follows:—

"Pacific" Standard Tariff.

Line 1—Present rates.
Line 2—Proposed rates.

Miles	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
5	21	18	14	11	10	9	8	9	8	6
	12	10	8	6	5	5	5	5	5	4
10	21	18	14	11	10	9	8	9	8	6
	15	13	10	8	7	6	6	7	6	5
15	27	23	18	14	13	11	9	11	10	7
	20	17	14	10	9	8	8	9	8	6
20	31	26	21	16	15	13	11	12	12	8
	23	20	15	12	11	9	8	9	9	6
25	35	29	24	18	17	15	12	13	13	9
	26	22	18	14	13	11	9	10	10	7
30	39	33	26	20	18	17	13	14	14	10
	28	24	19	14	14	11	9	11	10	7
35	43	36	29	22	20	18	14	15	16	11
	31	26	21	16	14	13	11	11	11	8
40	46	39	31	24	22	19	15	16	18	12
	33	28	22	17	15	14	11	12	12	9
45	50	43	34	26	24	20	15	17	19	13
	36	30	24	18	16	15	11	12	13	9
50	50	45	36	27	25	21	16	18	20	14
	38	32	26	20	18	16	12	13	14	10
55	54	48	38	29	26	22	17	18	21	15
	42	35	28	21	20	17	13	14	15	11
60	58	50	40	30	27	22	17	19	22	15
	44	38	30	22	20	17	13	14	16	11
65	62	53	42	31	28	23	18	20	23	16
	47	39	31	24	21	18	14	15	17	12
70	66	55	44	33	30	24	19	20	24	16
	48	41	32	25	22	18	14	15	18	12
75	68	58	46	35	31	25	19	21	25	16
	50	42	33	25	23	19	14	16	19	13
80	72	60	48	36	32	26	20	22	26	17
	52	44	35	26	23	19	14	16	19	13
85	74	62	49	37	33	27	21	23	27	17
	54	45	36	26	24	20	15	17	20	13
90	76	64	51	38	34	28	21	23	28	18
	56	47	37	28	26	20	16	17	20	14
95	78	65	52	39	35	29	22	24	29	18
	58	48	38	29	26	21	16	18	21	14
100	80	67	54	40	36	30	22	24	30	19
	60	50	40	30	26	21	16	18	21	14
110	86	72	57	43	38	32	23	25	32	20
	63	53	42	31	28	23	18	19	23	14
120	90	75	60	45	40	34	25	26	34	21
	65	54	43	32	29	24	18	20	24	15
130	94	78	63	47	42	35	26	27	35	21
	68	57	46	34	31	26	19	20	26	15
140	99	82	65	49	44	37	27	28	37	22
	71	59	47	35	31	26	20	21	26	16
150	102	85	68	51	46	39	28	29	39	23
	75	63	50	37	33	28	20	22	28	17
160	107	89	71	54	48	41	29	30	41	24
	77	64	51	38	34	28	21	22	28	17
170	111	93	74	56	50	42	31	31	42	25
	80	66	54	40	36	30	22	23	30	18
180	115	96	76	58	52	44	32	32	44	26
	82	68	54	41	37	31	23	23	31	18
190	119	99	80	60	54	45	32	33	45	27
	85	71	56	43	38	32	24	24	32	19
200	123	103	82	62	56	47	33	34	47	28
	87	72	58	43	39	33	24	25	33	20

"Pacific" Standard Tariff.

(*Continued.*)

Miles	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
210	127	106	85	64	58	49	34	35	49	29
	91	76	60	46	41	34	25	26	34	20
220	131	109	87	66	60	50	36	36	50	30
	93	77	62	47	42	35	26	26	35	21
230	133	111	89	67	60	51	36	36	51	30
	96	80	64	48	43	37	26	27	37	21
240	135	113	90	68	61	52	37	37	52	30
	98	82	65	49	44	37	27	27	37	22
250	137	114	91	69	62	53	37	37	53	31
	101	84	68	51	46	38	27	28	38	23
260	141	118	94	71	64	54	38	38	54	32
	103	86	69	52	47	39	28	28	39	23
270	143	119	95	72	65	55	38	38	55	32
	106	88	71	54	48	41	29	29	41	24
280	148	124	99	74	67	57	39	39	57	33
	108	90	72	54	49	41	29	30	41	24
290	153	128	102	76	68	59	41	40	59	35
	111	93	74	56	51	43	31	31	43	25
300	158	132	105	79	71	61	42	41	61	36
	113	94	76	57	51	43	31	31	43	25
310	162	135	108	81	73	62	43	42	62	37
	116	97	77	59	53	45	31	31	45	26
320	162	135	108	81	73	62	43	42	62	37
	118	99	79	60	54	45	31	31	45	26
330 { 325	162									
330 { 330	167									
	122	101	81	61	55	47	32	32	47	27
340	167	140	111	83	74	64	44	43	64	38
	126	105	84	63	57	48	33	33	48	28
350	167	140	111	83	74	64	44	43	64	38
	128	107	85	64	57	48	34	33	49	29
360	176	147	117	88	79	68	47	45	68	40
	130	109	87	65	58	50	35	34	50	29
370	176	147	117	88	79	68	47	45	68	40
	134	112	89	67	60	51	36	35	51	30
380 { 375	176									
380 { 380	185									
	136	113	90	68	60	51	36	35	52	30
390	185	154	123	93	84	72	49	47	72	42
	138	115	92	69	62	53	37	36	53	31
400	185	154	123	93	84	72	49	47	72	42
	140	117	93	70	62	53	37	37	53	31
410	189	158	126	94	85	74	51	48	74	43
	142	119	94	71	63	54	37	37	54	32
420	189	158	126	94	85	74	51	48	74	43
	144	121	96	72	65	56	38	38	55	32
430 { 425	189									
430 { 430	193									
	146	122	98	73	65	56	39	37	56	33
440	193	161	129	97	87	75	52	49	75	44
	148	124	98	74	67	58	40	38	58	34
450	193	161	129	97	87	75	52	49	75	44
	150	125	99	75	67	58	40	38	58	34
460	200	168	134	100	90	78	54	50	78	46
	153	128	102	77	69	60	41	39	60	35
470	200	168	134	100	90	78	54	50	78	46
	156	130	103	78	71	61	42	40	61	36
480 { 475	200									
480 { 480	205									
	158	132	105	79	71	61	43	41	62	36
490	205	171	137	102	92	80	56	51	80	47
	161	134	107	80	72	62	43	41	62	37

"Pacific" Standard Tariff.

(*Continued.*)

Miles	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
500	205	171	137	102	92	80	56	51	80	47
	163	136	109	82	72	62	43	41	64	37
525	209	174	140	104	94	82	57	52	82	48
	167	139	111	84	76	65	45	42	65	38
550	213	178	142	106	96	83	58	52	83	49
	171	143	114	85	77	66	46	43	67	39
575	217	181	145	108	97	85	59	53	85	50
	178	148	119	88	80	69	48	44	69	41
600	221	184	147	110	99	87	61	54	87	51
	181	151	121	90	82	71	49	44	71	42
625	225	188	150	112	101	89	62	55	89	52
	188	156	125	94	84	74	52	46	74	43
650	228	190	152	114	102	90	63	55	90	53
	191	160	128	95	86	75	53	46	75	44
675	232	193	154	116	104	92	64	56	92	53
	197	164	131	99	88	78	54	48	78	45
700	236	196	156	118	106	94	66	57	94	54
	201	167	133	100	90	79	56	48	79	46
725	239	199	158	120	108	96	67	58	96	55
	206	171	137	103	94	82	58	49	82	48
750	242	201	161	121	110	97	68	58	97	56
	209	174	139	105	94	84	59	50	84	49
Added mileages										
775	212	178	142	106	95	86	60	51	86	49
800	215	181	145	108	97	87	61	51	87	51
825	219	182	145	109	98	88	62	52	88	52
850	222	184	147	111	99	90	63	53	90	53
875	226	187	150	114	100	91	65	54	91	54
900	229	190	151	115	103	93	66	55	93	55
925	232	194	155	116	105	95	67	56	95	56
950	236	196	156	118	106	97	68	57	97	57
975	239	200	158	119	107	98	69	58	98	58
1000	242	201	161	121	110	99	71	59	99	59
1025	245	204	163	123	112	100	72	60	100	60
1050	249	207	167	125	114	103	73	61	103	61
1075	251	209	167	126	115	104	74	61	104	61
1100	253	211	168	127	117	106	75	62	106	62
1125	255	213	169	128	118	108	76	63	108	63
1150	257	215	170	128	120	110	77	64	110	64
1175	259	217	171	129	121	112	78	65	112	65
1200	260	218	172	130	122	114	79	66	114	66
1225	263	220	173	132	123	115	80	67	115	67
1250	266	222	174	133	124	116	81	68	116	68
1275	269	224	175	135	125	117	82	69	117	69
1300	272	226	176	136	126	118	83	70	118	70
1325	275	228	177	137	127	119	84	71	119	71
1350	278	230	178	139	128	120	85	72	120	72
1375	281	232	179	140	129	121	86	73	121	73
1400	284	234	180	142	130	122	87	74	122	74
1425	287	236	181	143	131	123	88	75	123	75
1450	290	238	182	145	132	124	89	76	124	76
1475	293	240	183	146	133	125	90	77	125	77
1500	296	242	184	148	134	126	91	78	126	78
1550	299	244	185	149	135	127	92	79	127	79
1600	302	246	186	151	136	128	93	80	128	80
1650	305	248	187	152	137	129	94	81	129	81
1700	308	250	188	154	138	130	95	82	130	82
1750	311	252	189	155	139	131	96	83	131	83
1800	314	254	190	157	140	132	97	84	132	84
1850	317	256	191	158	141	133	98	85	133	85
1900	320	258	192	160	142	134	99	86	134	86
1950	323	260	193	161	143	135	100	87	135	87
2000	326	262	194	163	144	136	101	88	136	88

These maximum rates are to be charged (a) between any two rail stations both of which are west of the western termini (inclusive) of the " Prairie " standard tariff; (b), between any station so situated and any advertised port of call on the Arrow, Slocan, Kootenay, Trout, and Okanagan Lakes, and the Columbia River; (c) between any station or port of call so situated and any point east of the western termini of the " Prairie " standard tariff to and including Port Arthur.

The tariff, in addition to showing the rates to a distance of 750 miles, which is the maximum radius of the present tariff, carries the added mileage charges up to two thousand miles, sufficient to cover any movement.

This new standard tariff while giving effect to increased cost of operation, on the other hand makes as low a standard tariff basis as existing conditions and revenues, having regard to the business of the province, can possibly justify.

" B. C. Lakes " Standard Tariff.

The original basis of this tariff was that equal rates should apply on prairie, lake, and river sections. This action was entirely voluntary by the company and before the initiation of governmental rate regulation. The principle seems to be sound, and no valid reason apparently exists why it should have been departed from. I am, therefore, of the opinion that the local traffic carried on vessels whose tolls are subject to regulation under section 7 of the Railway Act, between advertised ports of call on the Arrow, Slocan, Kootenay, Trout, and Okanagan Lakes, and the Columbia River, be provided for by a standard tariff on the " Prairie " standard basis, to be applied to the shortest practicable water mileage between ports.

The territories proposed to be covered by these standard tariffs will now be referred to as " Prairie ", " Pacific ", and " B.C. Lakes" territory respectively.

XVII.

Distributing Tariffs.

Section 325 of the Railway Act authorizes, and section 325 (ss. 3) describes " Special " Freight Tariffs lower than the standard maximum mileage tariff that may be published and charged for each and any class or classes of the freight classification to or from certain points on the railway. These tariffs in the west are known as " Town Tariffs ", and are confined to the distributing centres. Their general basis is the uniform " prairie tariff No. 270 of 1894 above referred to, less 30% within Manitoba, and 22½% within Saskatchewan and Alberta, and 22½% from Manitoba distributing centres to points in Alberta and Saskatchewan destinations. The result is that from Winnipeg the 30% scale applies to points in Manitoba, while on the longer haul and to points west of the Manitoba boundary and on to the mountains, the reduction is but 22½%, and the higher rate is charged for the entire distance from Winnipeg. The same difference, therefore, exists here as between Manitoba and Saskatchewan and Alberta as existed in the standard scales. For the reasons already referred to in connection with the standard scales, like action should be taken by the Board in this instance, and the existing Manitoba special scale made the basis for all town tariffs from distributing centres from Kenora to Lethbridge, Calgary, and Edmonton inclusive, to all destinations in " Prairie " territory west of the Lake Superior terminals.

I am of the view, therefore, that the following maximum Canadian Pacific " town " tariff basis be made effective under this judgment, namely:—

(1) From recognized distributing points in " Prairie " territory west of Fort William to points within the same territory west of Fort William, the first-class rates shall not be more than 85 per cent of the 1st class rates in the " Prairie " standard tariff.

(2) From recognized mainland distributing centres in British Columbia, other than Vancouver and New Westminster, to mainland points in "Pacific" territory, all rail or part rail and part inland waters, also from the said distributing centres to points in "Prairie" territory, and *vice versa*, the first-class rates shall not be greater than the first-class rates in the "Pacific" standard tariff, less 15% of the "Prairie "standard; that is to say, the same reduction per 100 lbs. shall be taken off the "Pacific" standard as is taken off the "Prairie" standard for similar distances within "Prairie" territory.

The above reduction as applied to the "Pacific" standard is based on the "Prairie" standard for the reason that the increased charges in British Columbia represent cost only and give no added profit to the carrier.

With a view of making clear the Board's direction, and to prevent any difficulty in working out tariffs under it, the Board's Chief Traffic Officer has prepared tariffs showing to a limited extent how the new basis of charges will work out from some of the typical distributing centres. The tariffs, as set out in this illustration, show, not only the rates which it is proposed shall go into effect under this judgment, but also the present rates.

SPECIAL CLASS RATES FROM WINNIPEG

Line 1—Present Rates
Line 2—Proposed Rates

From Winnipeg to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Broadview, Sask.	265	74	62	49	37	33	27	17
		68	57	46	34	31	26	16
Regina, Sask.	358	90	75	60	45	40	33	20
		82	68	54	41	37	31	18
Moosejaw	399	96	80	64	48	43	36	21
		89	75	60	45	40	34	20
Swift Current	510	115	96	76	58	52	43	25
		106	88	71	54	48	41	24
Maple Creek, Alta.	594	125	104	83	63	57	48	28
		118	99	79	60	54	45	26
Medicine Hat, Alta.	657	137	114	91	69	62	52	30
		126	105	84	63	57	48	28
Calgary, Alta.	838	158	132	105	79	71	60	35
		146	122	98	73	65	56	33
Revelstoke, B.C.	1104	232	193	154	116	104	91	53
		227	190	151	113	102	91	53
Kamloops, B.C.	1233	250	209	167	125	112	100	58
		237	199	158	119	106	98	58
North Bend, B.C.	1355	270	225	180	135	122	110	65
		248	207	167	125	114	103	61
Yorkton, Sask.	279	76	64	51	38	34	28	17
		71	59	47	35	31	26	16
Saskatoon, Sask.	467	111	93	74	56	50	42	25
		98	82	65	49	44	37	22
Wilkie, Sask.	524	127	106	85	64	58	48	28
		108	90	72	54	49	41	24
Hardisty, Alta.	656	143	119	95	72	65	55	32
		130	109	87	65	58	50	29
Edmonton, Alta.	793	158	132	105	79	71	60	35
		142	119	94	71	63	54	32
Estevan, Sask.	291	80	67	54	40	36	30	18
		73	61	48	37	32	27	17
Kerrobert, Sask.	619	141	118	94	71	64	54	31
		120	100	80	60	54	46	27
Arcola, Sask.	253	72	60	48	36	32	26	16
		68	57	46	34	31	26	16

Special Class Rates from Winnipeg

(*Continued.*)

From Winnipeg to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Weyburn, Sask.	315	83	69	55	41	37	31	19
		77	64	51	38	34	28	17
Lethbridge, Alta.	758	148	124	99	74	67	57	33
		138	115	92	69	62	53	31
Cardston, Alta.	821	158	132	105	79	71	60	35
		146	122	98	73	65	56	33
Frank, Alta.	845	162	135	108	81	73	62	36
		146	122	98	73	65	56	33
Crow's Nest, B.C.	859	172	143	115	86	77	66	39
		150	125	99	75	67	58	34
Fernie, B.C.	895	185	154	123	93	84	72	42
		161	134	107	80	72	62	37
Cranbrook, B.C.	958	197	164	131	99	89	76	45
		191	160	128	95	86	75	44
Kootenay Landing, B.C.	1041	213	184	157	142	108	107	64
		206	171	137	103	94	82	48
Nelson, B.C.	1092	216	190	165	150	114	113	67
		216	181	145	108	97	87	51
Kaslo, B.C.	1094	228	201	174	158	120	119	71
		228	192	154	116	103	93	55
Kamsack, Sask.	279	78	65	52	39	35	29	18
		71	59	47	35	31	26	16
Humbolt, Sask.	426	100	83	66	50	45	37	22
		93	77	62	47	42	35	21
Le Pas, Man.	468	107	89	71	54	48	40	24
		99	83	66	50	45	38	22
Prince Albert, Sask.	542	119	99	80	60	54	45	26
		110	92	73	55	50	42	25
No. Battleford, Sask.	573	123	103	82	62	56	47	27
		113	94	76	57	51	43	25
Lloydminster, Alta.	658	137	114	91	69	62	52	30
		126	105	84	63	57	48	28
Kindersley, Sask.	631	133	111	89	67	60	51	29
		126	105	84	63	57	48	28
Melville, Sask.	280	76	64	51	38	34	28	17
		71	59	47	35	31	26	16
Watrous, Sask.	409	105	88	70	53	47	39	23
		91	76	60	46	41	34	20
Wainwright, Alta.	667	141	118	94	71	64	54	31
		126	105	84	63	57	48	28

Special Class Rates from Regina

Line 1—Present Rates
Line 2—Proposed Rates

From Regina to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Moosomin	138	51	43	34	26	24	20	13
		48	41	32	25	22	18	12
Swift Current	159	57	48	38	29	26	21	14
		51	43	34	26	23	19	13
Maple Creek	237	69	58	46	35	31	25	16
		65	54	43	32	29	24	15
Medicine Hat	300	80	67	54	40	36	30	18
		73	61	48	37	32	27	17
Outlook	160	57	48	38	29	26	21	14
		51	43	34	26	23	19	13
Weyburn	120	47	39	31	24	22	19	12
		43	37	29	22	20	17	11
North Portal	196	63	53	42	31	28	23	14
		59	49	39	30	26	21	14
Colonsay	134	61	51	41	31	28	22	15
		48	41	32	25	22	18	12
Saskatoon	160	57	48	38	29	26	21	14
		51	43	34	26	23	19	13
Yorkton	125	49	41	33	25	23	19	12
		46	38	31	23	21	18	12
Wilkie	271	89	74	59	44	40	33	20
		71	59	47	35	21	26	16

Special Class Rates from Saskatoon

Line 1—Present Rates
Line 2—Proposed Rates

From Saskatoon to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Hardisty, Alta.	231	72	60	48	36	32	26	16
		65	54	43	32	29	24	15
Wynyard, Sask.	114	47	39	31	24	22	19	12
		43	37	29	22	20	17	11
Kerrobert, Sask.	145	53	44	35	26	24	20	13
		51	43	34	26	23	19	13
North Battleford, Sask.	96	43	36	29	22	20	18	11
		40	33	26	20	19	16	10
Shellbrook, Sask.	116	47	39	31	24	22	19	12
		43	37	29	22	20	17	11
Big River, Sask.	173	60	50	40	30	27	22	15
		56	47	37	28	26	20	14
Davidson, Sask.	70	35	29	24	18	17	14	9
		31	26	21	16	14	13	8
Kindersley, Sask.	127	49	41	33	25	23	19	12
		46	38	31	23	21	18	12
Watrous, Sask.	59	33	28	22	17	16	13	8
		28	24	19	14	14	11	7
Wainwright, Alta.	201	69	58	46	35	31	25	16
		61	51	41	31	27	22	14

Special Class Rates from Calgary

Line 1—Present Rates
Line 2—Proposed Rates

From Calgary to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Regina	580	109	91	73	55	49	41	24
		99	83	66	50	45	38	22
Swift Current	328	83	69	55	41	37	31	19
		80	66	54	40	36	30	18
Medicine Hat	181*	60	50	40	30	27	22	15
		56	47	37	28	26	20	14
Bassano	83	37	31	25	19	17	15	9
		35	29	23	18	16	15	9
Morley	42	27	23	18	14	13	10	7
		23	20	15	12	11	9	6
Golden	172	66	55	44	33	30	24	16
		63	53	42	31	28	23	14
Revelstoke	267	94	78	63	47	42	35	21
		93	77	62	47	42	35	21
Kamloops	396	131	109	87	66	60	50	29
		126	105	84	63	57	48	28
Edmonton	195	63	53	42	31	28	23	15
		59	49	39	30	26	21	14
High River	40	24	20	16	12	11	9	6
		23	20	15	12	11	9	6
Macleod	109	43	36	29	22	20	18	11
		40	33	26	20	19	16	10
Lethbridge	127	49	41	33	25	23	19	12
		46	38	31	23	21	18	12
Cardston	193	63	53	42	31	28	23	15
		59	49	39	30	26	21	14
Frank	160	54	45	36	27	25	21	14
		51	43	34	26	23	19	13
Crow's Nest	174	60	50	40	30	27	22	15
		56	47	37	28	26	20	14
Fernie	210	74	62	49	37	33	27	17
		66	55	44	33	30	25	15
Cranbrook	273	90	75	60	45	40	33	20
		84	70	55	42	37	31	19
Nelson	407	120	105	90	75	60		
		116	97	77	59	53	45	26
Kaslo	409	132	116	99	83	66		
		128	108	86	67	59	50	30

Special Class Rates from Edmonton

Line 1—Present Rates
Line 2—Proposed Rates

From Edmonton to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Saskatoon	327	88	74	59	44	39	33	20
		84	70	55	42	37	31	19
Macklin	207	63	53	42	31	28	23	15
		61	51	41	31	27	22	14
Consort	220	66	55	44	33	30	24	16
		63	53	42	31	28	23	14
Hardisty	138	61	51	41	31	28	22	15
		48	41	32	25	22	18	12
Camrose	67	37	31	25	19	18	16	10
		31	26	21	16	14	13	8
Wetaskiwin	43	29	24	19	15	14	12	7
		23	20	15	12	11	9	6
Lloydminster	170	57	48	38	29	26	21	14
		54	45	36	26	24	20	13
Vermillion	130	49	41	33	25	23	19	12
		46	38	31	23	21	18	12
Wainwright	127	49	41	33	25	23	19	12
		46	38	31	23	21	18	12
Vegreville	73	35	29	24	17	17	14	9
		33	28	22	17	15	14	9
Tofield	41	27	23	18	14	13	10	7
		23	20	15	12	11	9	6
Entwistle	67	33	28	22	17	16	13	8
		31	26	21	16	14	13	8
Morinville	23	21	18	14	11	10	8	6
		18	15	12	9	9	7	5
Athabasca	95	43	36	29	22	20	18	11
		38	32	26	20	18	16	10
Calgary	194	63	53	42	31	28	23	15
		59	49	39	30	26	21	14
High River	232	72	61	49	38	34	28	19
		65	54	43	32	29	24	15
Carmangay	282	79	67	54	41	37	31	20
		73	61	48	37	32	27	17
Lethbridge	318	86	72	58	44	40	34	22
		77	64	51	38	34	28	17
Cardston	384	97	81	66	50	45	38	24
		87	72	58	43	39	33	20

Special Class Rates from Cranbrook, B.C.

Line 1—Present Rates
Line 2—Proposed Rates

From Cranbrook to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Macleod, Alta	169	74	62	49	37	33	27	17
		71	59	47	35	31	26	16
Crow's Nest, B.C.	99	60	50	40	30	27	22	15
		54	45	36	26	24	20	13
Fernie, B.C.	64	45	38	30	23	21	18	11
		42	35	28	21	20	17	11
Waldo, B.C.	52	43	36	29	22	20	18	11
		37	31	25	19	17	15	9
Creston, B.C.	68	49	41	33	25	23	19	12
		42	35	28	21	20	17	11

SPECIAL CLASS RATES FROM NELSON, B.C.

Line 1—Present Rates
Line 2—Proposed Rates

From Nelson to	Miles	1st	2nd	3rd	4th	5th	6th	10th
Castlegar	26	27	23	18	14	13	10	7
		25	20	17	13	12	10	6
Rossland	55	41	34	27	21	19	17	10
		37	36	30	24	17	15	9
Grand Forks	95	60	50	40	30	27	22	15
		54	45	36	26	24	20	13
Midway	127	69	58	46	35	31	25	16
		60	50	40	30	26	21	14
Slocan City	44	37	31	25	19	17	15	9
		33	28	22	17	15	14	9
Sandon	81	51	43	34	26	24	20	13
		48	41	32	25	22	18	12
Kaslo	45	29	24	20	15	14	11	7
		28	24	19	14	14	11	7
Lardo	63	35	29	24	18	17	14	9
		35	29	23	18	16	14	9
Gerrard	97	51	43	34	26	24	20	13
		51	43	34	26	23	19	13
Trout Lake City	114	57	48	38	29	26	20	14
		56	47	37	28	26	20	14
Cranbrook	134	66	55	44	33	30	24	16
		63	53	42	31	28	23	14
Waldo	135	80	67	54	40	36	30	18
		63	53	42	31	28	23	14

It will be noted that the direction made under this section of the judgment is made against the Canadian Pacific alone.

While it is beyond all question that, speaking generally, the rates ordered on one line control to a large extent the rates on other lines, and that it serves no useful purpose to prescribe rates only as against one carrier with the idea of assisting another; yet in so far as these distributing tariffs are concerned, in some instances the mileages of the Grand Trunk Pacific and the Canadian Northern are shorter than those of the Canadian Pacific; to the extent that these shorter mileages would enable either company to charge a lesser rate than that fixed for the Canadian Pacific, I am of the opinion that both companies should have the opportunity of doing business, if they so desire, at the longer mileage rates, and without regard to the competitive advantage which their shorter mileage would give them. These distributing rates, therefore, are made effective by this judgment only as against the Canadian Pacific.

XVIII.

SPECIAL CLASS RATES FROM LAKE SUPERIOR AND PACIFIC COAST TERMINI.

These special class-rates are in a sense, similar to the "town" tariffs already dealt with; but the more important application of that from Port Arthur and Fort William is to through traffic from the east, specifically so with respect to lake-and-rail shipments, but, also, as the basis on which the through all-rail tariffs are constructed. It differs also from the "town" tariff by having no percentage relationship to the standard maximum mileage tariff. The distance from Port Arthur to Winnipeg is 424 miles; but between these points the rates of the working tariff in question are those of the Manitoba Standard Tariff for the 281-290 miles group; so that this reduced mileage, although not used constructively, may be regarded as the basis of the working tariff.

The rates from the lake ports to points in Saskatchewan and Alberta formerly represented the sum of the rates to Winnipeg and from Winnipeg to destination, the Winnipeg cartage being deducted, however, as the through movement did not necessitate Winnipeg handling. Following the order in the Regina Case, the rates were readjusted so as to give Manitoba destinations beyond Winnipeg the benefit of the same mileage shrinkage; that is to say, 290 miles east of Winnipeg, instead of 424, were added to the actual distances from Winnipeg west. To Saskatchewan and Alberta destinations, however, the Saskatchewan scale was still used, but the mileage shrinkage was less, because the rates for 290 miles in the Manitoba scale are those for 250 miles in the higher Saskatchewan scale; and consequently the actual distances west of Winnipeg were added to this assumed 250 miles between Port Arthur and Winnipeg, the sum representing the through mileage for rate-making purposes.

As a result of, and for the reasons which justify, action having regard to the standard mileage tariff and the "town" tariffs, similar action must be taken in so far as this tariff is concerned, and all difference in treatment be abolished.

The existing special tariff on general goods from Vancouver for the distance of 416 miles to Ross Peak repeats the rates of the old local "Pacific" Division tariff No. 252 of March 15th, 1894. To points east of Ross Peak to Canmore, the old general "Prairie" tariff No. 270 was taken and 12½% deducted from it, using the following constructive mileage, that is, one mile for one mile from Vancouver to Yale; 1½ miles for one mile from Yale to Revelstoke; and 2 miles for one mile from Revelstoke to Canmore.

The schedule will be re-adjusted as follows:

1. Lake Termini:—

Between Port Arthur, Fort William, and Westfort, and points west thereof:

(a) To and from points east of Winnipeg, the "Prairie" territory "town" tariff basis to be applied, subject to the rates to Winnipeg and St. Boniface (b) as maxima.

(b) To and from Winnipeg and St. Boniface, the rates to be no greater than those of the "Prairie" standard tariff for 290 miles.

(c) To and from points beyond Winnipeg within "Prairie" territory, the maximum first-class rates to be those of the "Prairie" standard tariff for the through mileage made up of the actual distance beyond Winnipeg, added to the above-mentioned assumed distance of 290 miles east of Winnipeg.

(d) To and from points in "Pacific" territory, the rates to be scaled west of Canmore and Crow's Nest to the ratio of the "Pacific" standard tariff.

2. Pacific Termini:—

Between Vancouver and New Westminster and points east thereof:

(a) To and from points in "Pacific" territory, the rates to be re-adjusted in the same ratio as those prescribed above for Port Arthur.

(b) To and from points in "Prairie" territory west of Fort William, the maximum first-class rates to be those west of Canmore and Crow's Nest, plus the "Prairie" standard first-class rate difference between the actual mileage west of Canmore and Crow's Nest and the actual through mileage to or from the "Prairie" destination or shipping point, as the case may be.

(Note.—From the first-class rates constructed as above, the rates for classes 2 to 10 to be extended in accordance with the scaling of the standard tariff, so as to preserve the proportion between the classes).

The Board's Chief Traffic Officer has worked out two limited tables illustrating tariffs built up on the re-adjustment ordered.

It will be noted that the schedule showing the new special class-rates from Port Arthur and Fort William gives, on the first line, the rates as they existed prior to April 1st, 1912; on the second line the rates put into force as the result of the Order in the Regina Rates Case; and, on the third line, the rates which will be put in force under this judgment.

Special Class Rates from Port Arthur and Fort William.

Line 1—Rates before Apl. 1, 1912
Line 2—Present Rates
Line 3—Proposed Rates

To	Miles	1st	2nd	3rd	4th	5th	6th	10th
Selkirk, Man	448	97	82	66	50	45	38	22
		94	78	63	47	42	35	21
		91	76	60	46	41	34	20
Winnipeg, Man	424	86	72	57	42	38	34	20
		86	72	57	42	38	34	20
		85	71	56	42	38	32	19
Port. la Prairie, Man	480	105	88	70	53	44	40	23
		99	82	65	49	44	36	22
		96	80	64	48	43	36	21
Brandon, Man	557	120	100	80	60	51	46	27
		111	93	74	56	50	42	25
		110	92	73	55	50	42	25
Moosomin, Sask	644	149	125	99	73	66	57	34
		127	105	84	64	57	49	28
		126	105	84	63	57	48	28
Broadview, Sask	689	160	134	106	79	71	61	36
		137	115	92	68	62	53	31
		134	112	89	67	60	51	30
Indian Head, Sask	739	169	141	112	83	73	65	36
		148	124	99	74	67	57	33
		142	119	94	71	63	54	32
Regina, Sask	781	176	147	117	87	73	67	38
		154	129	102	77	68	59	34
		146	122	98	73	65	56	33
Moose Jaw, Sask	823	182	152	121	90	76	70	41
		159	132	106	79	71	61	36
		153	128	102	77	69	60	35
Swift Current, Sask	940	201	168	133	100	90	77	45
		178	149	119	90	80	69	41
		171	143	114	85	77	66	39
Maple Creek, Sask	1018	211	176	140	105	95	82	48
		189	158	126	94	85	74	43
		181	151	121	90	82	71	42
Medicine Hat, Sask	1081	223	186	148	111	100	86	50
		200	167	134	100	90	78	46
		188	156	125	94	84	74	43
Brooks, Alta	1147	231	193	154	116	104	91	53
		208	174	139	103	93	82	48
		197	164	131	99	88	78	45
Gleichen, Alta	1206	239	200	159	118	104	92	54
		218	181	144	109	98	86	50
		203	169	134	102	92	81	47
Calgary, Alta	1261	244	204	162	121	104	94	55
		224	186	149	112	102	90	52
		213	178	142	106	95	85	49
Banff, Alta	1343	258	217	172	130	116	106	62
		246	205	164	123	111	99	57
		221	184	147	110	99	90	53
Golden, B.C.	1433	280	234	187	141	129	115	68
		280	234	187	141	129	115	68
		237	199	158	119	106	98	58
Revelstoke, B.C.	1528	303	253	202	152	140	125	73
		303	253	202	152	140	125	73
		251	209	167	126	115	104	61
Kamloops, B.C.	1657	323	269	214	160	148	134	78
		323	269	214	160	148	134	78
		268	225	183	134	122	110	69

Special Class Rates from Port Arthur and Fort William

(Continued.)

To	Miles	1st	2nd	3rd	4th	5th	6th	10th
Ashcroft, B.C.	1704	328	273	217	162	150	137	82
		328	273	217	162	150	137	82
		274	231	189	137	125	113	72
Yale, B.C.	1806	343	284	225	167	155	142	85
		343	284	225	167	155	142	85
		286	243	201	143	131	119	78
Vancouver, B.C.		300	260	220	179	160	154	85
		287	233	180	143	127	115	Present 73 Proposed
Estevan, Sask.	715	155	132	107	82	70	64	32
		143	119	95	72	65	55	32
		138	115	92	69	62	53	31
Arcola, Sask.	677	158	132	105	78	70	60	35
		137	115	92	68	62	53	31
		130	109	87	65	58	50	29
Weyburn, Sask.	739	169	141	112	83	75	65	39
		148	124	99	74	67	57	33
		142	119	94	71	63	54	32
Minnedosa, Man.	558	122	103	83	63	55	47	27
		111	93	74	56	50	42	25
		110	92	73	55	50	42	25
Yorkton, Sask.	703	162	136	108	80	72	62	36
		142	118	94	70	63	54	32
		134	112	89	67	60	51	30
Lanigan, Sask.	828	187	156	124	93	80	71	42
		163	136	108	81	73	63	37
		153	128	102	77	69	60	35
Saskatoon, Sask.	904	193	161	128	96	83	74	44
		175	146	116	87	78	68	40
		164	137	110	82	74	64	37
Wilkie, Sask.	1003	211	176	140	105	95	81	48
		186	155	124	92	83	72	42
		178	148	119	88	80	69	41
Hardisty, Sask.	1135	229	191	152	114	103	89	52
		208	174	139	103	93	82	48
		197	164	131	99	88	78	45
Outlook, Sask.	941	201	168	133	100	90	77	45
		178	149	119	90	80	69	41
		171	143	114	85	77	66	39
Red Deer, Alta.	1287	248	207	165	123	111	96	56
		228	190	152	114	103	92	53
		216	181	145	108	97	87	51
Wetaskiwin, Alta.	1230	244	204	162	121	104	94	55
		221	184	146	111	100	88	51
		206	171	137	103	94	82	48
Edmonton, Alta.	1272	244	204	162	121	104	94	55
		224	186	149	112	102	90	52
		213	178	142	106	95	85	49
Lethbridge, Alta.	1182	234	196	156	116	100	91	53
		215	179	142	107	96	85	49
		201	167	133	100	90	79	46
Cardston, Alta.	1245	266	223	178	133	116	104	61
		224	186	149	112	102	90	52
		209	174	139	105	94	84	49
Macleod, Alta.	1213	239	200	159	118	101	92	54
		218	181	144	109	98	86	50
		206	171	137	103	94	82	48
Fernie, B.C.	1319	253	211	169	126	114	104	61
		239	199	158	120	108	95	55
		221	184	147	110	99	90	53

Special Class Rates from Port Arthur and Fort William

(Continued.)

To	Miles	1st	2nd	3rd	4th	5th	6th	10th
Cranbrook, B.C.	1382	275	229	184	138	126	110	65
		275	229	184	138	126	110	65
		230	191	153	115	104	94	55
Nelson, B.C.	1515	300	260	220	190	150	145	85
		303	253	202	158	140	133	73
		251	209	167	126	115	104	61
Kaslo, B.C.	1518	312	271	229	198	156	151	89
		315	264	211	166	146	139	77
		263	220	176	134	121	110	65
Rossland, B.C.	1570	300	260	220	190	150	145	85
		303	253	202	158	140	133	73
		251	209	167	126	115	104	61
Grand Forks, B.C.	1610	332	288	244	210	166	159	95
		335	281	226	178	156	147	83
		283	337	191	146	131	118	71
Midway, B.C.	1642	340	295	250	215	170	163	96
		343	288	232	183	160	151	84
		291	244	197	151	135	122	72
Vernon, B.C.	1619	318	265	211	158	146	133	77
		318	265	211	158	146	133	77
		260	215	171	130	118	106	64
Penticton, B.C.	1687	340	285	227	169	152	136	79
		340	285	227	169	152	136	79
		266	219	173	133	120	108	66

Special Class Rates from Vancouver

Line 1—Present Rates
Line 2—Proposed Rates

From Vancouver to	Actual Miles	1st	2nd	3rd	4th	5th	6th	10th
Hammond	24	24	20	16	12	11	9	6
		23	20	15	12	11	9	6
Agassiz	71	43	36	29	22	20	18	11
		43	36	29	22	20	17	11
Yale	102	57	48	38	29	26	21	14
		56	47	37	28	26	20	14
Lytton	156	78	65	52	39	35	29	18
		66	55	44	33	30	25	15
Ashcroft	203	94	78	63	47	42	35	21
		80	66	54	40	36	30	18
Kamloops	251	109	91	73	55	48	41	24
		89	75	60	45	40	34	20
Sicamous	335	135	113	90	68	61	51	30
		113	94	76	57	51	43	25
Revelstoke	380	148	124	99	74	67	57	33
		122	101	81	61	55	47	27
Golden, B.C.	475	162	135	108	81	73	62	36
		144	121	96	72	65	56	32
Canmore, Alta	580	189	158	126	94	85	73	42
		181	151	121	90	82	71	42
Calgary, Alta	646	195	162	129	97	87	78	46
		188	156	125	94	84	74	52

SPECIAL CLASS RATES FROM VANCOUVER

(*Continued.*)

From Vancouver to	Actual Miles	1st	2nd	3rd	4th	5th	6th	10th
Medicine Hat, Alta	827	221	184	147	110	99	87	51
		215	181	145	108	97	87	51
Maple Creek	890	228	190	152	114	102	90	52
		222	184	147	111	99	90	52
Swift Current	968	239	199	158	120	108	95	55
		236	196	156	118	106	95	57
Moose Jaw	1085	250	209	167	125	112	100	58
		249	207	167	125	112	100	58
Regina	1127	257	214	171	128	115	103	61
		255	213	169	128	115	103	61
Lethbridge	773	217	181	145	108	97	85	50
		206	171	137	103	94	82	48
Edmonton	841	225	188	150	112	101	88	52
		216	181	145	108	97	87	51
Saskatoon	1125	257	214	171	128	115	103	61
		251	209	167	126	115	103	61
Vernon	381	148	124	99	74	67	57	33
		118	99	79	60	54	45	26
Kelowna	414	157	132	105	78	69	59	35
		130	109	87	65	58	50	29
Penticton	449	161	136	108	80	71	61	36
		134	112	89	67	60	51	30
Nelson	562	172	143	115	86	77	66	39
		157	131	105	79	71	61	36
Proctor				Nelson	rates.			
Castlegar				do.	do.			
Rossland				do.	do.			
Grand Forks	602	204	171	139	106	93	80	49
		189	159	129	89	87	75	46
Kaslo	607	184	154	124	94	83	72	43
		169	142	114	77	77	67	40
Sandon	485	184	154	124	94	83	72	43
		169	142	114	77	77	67	40
Cranbrook	695	197	164	131	99	89	76	45
		178	148	119	88	80	69	41
Fernie	759	209	174	140	104	94	81	48
		188	156	125	94	84	74	43

In the rate re-adjustment directed the general rates from Lake Superior ports will nearly meet those from Vancouver at Bassano, Alberta, 84 miles east of Calgary. The present rates equalize at Lathom, Alberta, eight miles farther east. The reductions and re-adjustments made do not, therefore, interfere with the actual potential powers of distribution that any centre had under the former system; the balance is preserved as the Board finds it is nearly as possible.

It may be also noted that the rates ordered to points in the Kootenay Lakes and Boundary Districts are in accordance with the Order of the Board No. 1947 of November 9th, 1906, made in the case of the Kaslo Board of Trade vs. C.P. and N. & F.S. Railway Companies.

XIX.

STANDARDIZATION.

The question of standardization of western rate scales was mooted by the Board's Chief Traffic Officer in his report made in January, 1909, when the "town" tariffs of Winnipeg were under consideration. Mr. Pitblado in his

argument complained that no effect had been given by the Board to this recommendation, and that the Board should now take it into consideration with a view of carrying the report into effect. As stated, the matter is one which, in the first instance, came entirely from the Board's Chief Traffic Officer, and being peculiarly a matter on which he is qualified to deal, I adopt "in toto" his report on the subject which the Board has made as a result of Mr. Pitblado's request. It is as follows:—

"A standardization of the western rate scales has been mooted; in other " words, the re-arrangement of all class rates for all distances, so that the relation- " ship of class to class shall be the same as in the tariffs of Eastern Canada.

" The following illustration will explain:

1	2	3	4	5	6	10 classes
78	65	52	39	35	29	17 cents.
78	69	59	49	39	37	26 "
70	61	53	44	35	33	23 "

" The first line gives illustrative figures from the Manitoba or 'Prairie' " scale, being those for the 250 mile group. In the east the 5th is the basic class, " 25 per cent being added for the 4th, 50 per cent for the 3rd, 75 per cent for the " 2nd, and 100 per cent for the 1st class. In the west the 1st is the base, the 4th " being 50 per cent less; but the other classes carry no fixed percentage. This " condition is due to the fact that the Canadian Pacific, in its earlier days, adopt- " ed the old Joint Northern Freight Classification of the adjoining States, while " the eastern tariffs were built upon the original Canadian Freight Classification. " Another important difference is that while in the east the 6th, or agricultural " implement class, is from one to two cents only below the 5th, in the west, for " the assistance of the farming community, it runs from 2 and 3 cents up to 10 " and 11 cents lower than the 5th, according to distance.

" Returning to the illustration, the other two lines show how this typical " selection from the western scale would run if 'standardized' on the eastern " plan, viz., line two on the 1st class, and line three on the 5th. Line two shows " that a heavy advance would result in all classes below the 1st; while line three, " though it reduces the 1st and 2nd classes, increases the important 4th, the " equally important implements (6th) class, and the 10th, and the 10th is the " class upon which is proportioned the lower commodity rates for such general " necessaries as lumber, coal, cement, and building materials. Standardization " would, of course, affect the special distributing and terminal schedules as well " as the standard maximum tariff. The evidence indicates a clear distinction " between the methods of shipping, carrying, and delivering general merchandise " traffic in eastern and western Canada, commercial conditions in the west re- " quiring a preponderating movement of such traffic in carload lots, so that the " effect of standardization on the carload classes will be apparent. As the same " class scaling prevails throughout the west, and will still prevail in the tariffs " now proposed, discrimination does not enter into the question; so that admit- " ting standardization to be a desirable consummation were class tariffs alone " under review, it is, after all, more theoretical than practical, and I am unable " to recommend it now, in view of the reductions and re-adjustments recom- " mended elsewhere. It is not altogether of the same character as that suggested " in my report of January 25th, 1909, re 'Winnipeg, etc., Town Tariffs'. That " was intended to standardize the mileage groupings of the compromise 'Schedule " A' of the Order of the Board in the International Rates Case, as well as " the western rates, with the expectation that the shipping and railway re- " presentatives in the west would get together on a basic scale appropriate " to conditions west of Lake Superior, an expectation that failed of realiz- " ation."

XX.

Local Mileage Rates on Grain and Grain Products.

A large number of complaints have been received as to these rates. The ground of the complaint has almost invariably been the existence of higher charges to intermediate points on the direct movement to Fort William. For example, the present rate from Broadview to Winnipeg is 20 cents, although to Fort William the rate is only 16 cents; and the rate to Kenora is *25 cents as against the 16-cent rate to Fort William.*

I am of the opinion that all these rates should in the future be subject to the Fort William rates as maxima to or from any intermediate point on the direct line of transit to and from Fort William; further, that reductions should be made in these local rates; and that the reductions should be of a fairly substantial character. It is a movement in which the farmers are directly interested; and, after a careful review of the different elements affecting the rate and the amount of traffic covered by it, I am of the view that the reductions are entirely justified.

Giving effect to the Board's view on this point, Mr. Hardwell has prepared a new skeleton tariff. This tariff which also gives the present special mileage rates in Manitoba and New Ontario, and in Saskatchewan and Alberta will, of course, be completed to the full number of mileage groups of the present tariff; and the rates for the added groups will be reduced in the same proportion. It is as follows;

Local Mileage Rates on Grain and Grain Products

in straight or mixed carloads.

Column 1—Present special mileage rates in Manitoba and New Ontario.
" 2—Present special mileage rates in Saskatchewan and Alberta.
" 3—Proposed special mileage rates between all local points in "Prairie" territory.

Miles	1	2	3
5	4	4½	3
10	4	4½	4
25	7	7½	6
50	9½	10	7
75	10½	11½	8½
100	12	13	10
150	13½	15	12
200	16	17	13
250	17	19	15
300	20	21	16½
350	21	23	18
400	23	25	19
450	25	27	20½
500	27	30	21
550	29	32	22½
600	31	34	24
650	33	36	24½
700	35	38	26
750	37	40	27
800	38	42	28
850	40	43	28½
900	42	45	29
950	43	47	30½
1000	45	48	31
1100	48	52	32½
1200	52	56	34½
1300	55	60	36½
1400	59	64	39
1500	61	68	40½

In comparing these local mileage western grain rates with the corresponding mileage scale in force on Ontario wheat, an important feature to be noted is that the former include the privilege of milling in transit, while the latter does not. This difference may be explained by taking, simply as an illustration, a combined wheat and flour movement of 250 miles, thus—

The western local grain rate fixed by this judgment for 250 miles is 15 cents, adding to which the prevailing charge of 1 cent for the extra services connected with the stopover at the mill gives a through rate of 16 cents per 100 lbs. on the wheat in and the flour out, irrespective of the length of either haul in the total of 250 miles.

In Ontario the two hauls represent different transactions; the wheat and the flour carrying each its own rate, varying with the distance each is carried. If the wheat haul be 25 miles, and that of the flour 225, the wheat rate would be 4 cents and the flour rate 10 cents; making the combined rate for the 250 miles 14 cents. For 75 miles wheat haul and 175 flour, the rates would be 4½ and 9 cents, or 13½ cents through, for 100 and 150 miles respectively, the inward rate would be 5 and the outward 8 cents, or 13 cents through.

It may be noted that the rates now prescribed are, on the whole, lower than those charged for similar services in the adjoining States of the Union; a fact however from which no conclusion can be drawn as influencing the Canadian situation.

XXI.

Vegetables.

Vegetables now move under the same tariff as that applying to the local movement of grain and grain products. After a careful consideration of the evidence and circumstances surrounding the movement, as well as its volume, I am of the opinion that no reductions should be ordered for this traffic. The present Manitoba tariff is not much higher than the corresponding schedule in force in Eastern Canada; and it is more generous to the shipper in allowing a greater mixing privilege in the carlot movement than is allowed in Ontario. The rates, in so far as movements covered by the old tariff in force in Saskatchewan and Alberta, will, of course, be reduced to the Manitoba scale.

XXII.

Milling in Transit.

The lake terminal and local mileage grain rates referred to in this judgment are rates which have been struck on the basis of a continuance of the milling-in-transit privileges by the railway companies.

XXIII.

Local and Interchange Rates on Grain and Grain Products, "Pacific" Territory.

The Canadian Pacific has a special mileage tariff on grain and grain products applying locally between stations on the Crow's Nest Line in British Columbia, also to these stations from the Company's shipping points in "Prairie" territory.

Application was made to the Board by the United Farmers of Alberta complaining of the rates. There would seem to be no good reason why one rate should apply to the Crow's Nest line and another to other British Columbia territory. No good reason certainly was advanced during the hearing; and I am of the opinion that special mileage rates should apply to and within British Columbia generally, and that the whole scale should be reduced in the same ratio as that ordered on the prairies. The present rates and the rates which will apply under the schedule now prescribed, are illustratively set out by Mr. Hardwell in the following table (The omitted mileage groups to be tariffed proportionately):

Special Mileage Rates on Grain and Grain Products.

In straight or mixed carloads.

Column 1—Present special mileage rates between points on the Crow's Nest Line west of Crow's Nest, and thereto from "Prairie" territory.

Column 2—As proposed between all points in "Pacific" territory and therefore from "Prairie" territory.

Miles	1	2	Miles	1	2
5	17	3½	650	44	33½
10	7	5	700	46	35
20	9	6	750	48	36
30	11	8	800	49	37
40	12	8½	850	51	38½
50	13	9	900	52	40
75	15½	11½	950	54	41½
100	17½	13	1000	55	43
150	21	16	1050	57	45
200	24	18	1100	58	45½
250	26½	20	1150	60	47
300	29	22½	1200	61	48½
350	31½	24	1250	63	50
400	34	27	1300	65	51½
450	36	27½	1350	67	53
500	38	30	1400	69	54
550	40	31½	1450	71	56
600	42	32	1500	72	57½

The Canadian Pacific has also a special tariff of specific station to station rates on grain and grain products from points east of the Rockies to points in "Pacific" territory, other than those mentioned above. The application of the proposed mileage rates on page 148 to "Pacific" territory generally will, however, automatically bring down these specific rates practically to all destinations short of Vancouver. The following illustrations will suffice, column 1 showing the present rates and column 2 the rates of the suggested mileage scale of Appendix 13,—per 100 lbs. in each case:

From Calgary to	Miles	1	2	From Red Deer to	Miles	1	2
Golden	172	20	16	Golden	268	30	21
Revelstoke	267	25	21	Revelstoke	362	30	25½
Enderby	335	30	24	Enderby	431	32½	27½
Penticton	426	30	27	Penticton	521	32½	31
Vancouver	646	32½	33½	Vancouver	742	32½	36
Nelson	412	30	28	Nelson	503	35	31

From Strathcona to	Miles	1	2	From Lethbridge to	Miles	1	2
Golden	364	30	25½	Golden	300	30	22½
Revelstoke	459	30	28½	Revelstoke	395	30	27
Enderby	527	32½	31½	Enderby	462	32½	29½
Penticton	618	32½	32½	Penticton	554	32½	32
Vancouver	840	32½	38½	Vancouver	774	32½	37
Nelson	600	35	32	Nelson	334	27	24

The Company's exceptional rates to Vancouver are evidence of a policy of protecting itself and its shippers against the importation of these commodities from the neighboring states of the Union, a policy which the Company's Assistant Freight Traffic Manager stated on the stand had fully justified itself. The statute permits the carriers to meet competition of this sort without binding them to extend the effect of the competition to intermediate points whose rates can be shown to be reasonable in themselves. I have no doubt that the Canadian Pacific will continue to meet this competition as the circumstances may seem to require.

XXIV.

Grain to Vancouver for Export.

A tariff, designated "Special proportionate", is on file containing the rates charged from Alberta and Saskatchewan to Vancouver on grain and grain products for export to all countries, except the United States and Alaska. These rates are lower than those to Vancouver on the same commodities for domestic consumption referred to above as having been disproportionately depressed by the stress of competition. Comparatively, then, this export schedule cannot be criticised as being excessive. Counsel for the Province attempted to show that unjust discrimination existed to the extent that the local rates exceeded the export. But this Board, as well as the Interstate Commerce Commission, has frequently ruled that a lower rate on export traffic is, in itself, no evidence of unjust discrimination, provided that the local rate is a reasonable one. It is quite conceivable that a carrier would prefer to withdraw from co-operation in seeking the foreign market rather than sacrifice its legitimate revenue on the local traffic to the port of exportation, and perhaps to its intermediate interior points also.

Counsel sought to show that the comparison of the export rates to Vancouver should be with the Company's rates to the Lake Superior ports; but, if any comparison be useful, it should be between the Pacific port on the one hand and the Atlantic ports on the other. Fort William is an intermediate transfer point on the way to the eastern destination; and the rates to that port are, as described in the tariffs, proportionals of through rates from the grain fields to the eastern consumer. It is true that a negligible fraction of the entire crop may find its way into the local Fort William or Port Arthur market; but an exceptional tariff for this fraction is hardly possible, seeing that the railway company loses control once the grain is delivered to the terminal elevators.

XXV.

Lumber Rates.

While this case was in progress, but on a complaint standing for sometime, the Board made an Order reducing rates on lumber. The Order was appealed; but the issue was settled between the railway company and the shippers. The adjustment having taken place after evidence was given as to lumber rates in the North-west, Mr. Hardwell has worked out the rate situation as left by the agreement referred to. His report on the subject is as follows, and in my opinion should be adopted and no further action taken at the present time:—

"By Order No. 18738, February 19th, 1913, the Board reduced the rates "on lumber, and other articles carried at the lumber rates, from British Columbia "shipping points to Manitoba points immediately east of Winnipeg to and includ- "ing Molson on the Canadian Pacific, Giroux on the Canadian Northern, and "Hazel on the Grand Trunk Pacific, so as to exceed the rates to Winnipeg by "not more than two cents per 100 lbs. to the three points named, where the "difference had been five or six cents. In scaling the new rates so ordered the "rates had to be cut down farther east, in some cases beyond Kenora.

"As a result of a complaint from the Mountain Lumber Manufacturers' "Association, the rates on lumber, shingles, etc., from the British Columbia "mills to 'Prairie' territory were further reduced by a tariff of the Canadian "Pacific Railway Company, dated July 10th, 1913, and by the Great Northern "Railway Company's British Columbia lines, dated September 2nd, 1913. "The following table, which is merely illustrative, indicates the extent of the "reductions, in cents per 100 lbs., from Golden, B. C., which has been taken "as a central shipping point, but corresponding decreases were made from Van-"couver, Savona, Three Valley, Cranbrook, and the other mills:—

	To		Joiners' Work	Clear Cedar	Fir, Pine Lath, etc.	Shingles Long Tim'r
Calgary,	Alta.		33½	1½	..	..
Edmonton,	"		26	4	1	1
Lloydminster,	"		22½	4	..	..
Wainwright,	"		21½	4	..	..
Swift Current,	Sask.		21½	5	..	..
Regina,	"		17	5	..	..
Indian Head,	"		16	5	..	..
Outlook,	"		13	5	..	..
Rosetown,	"		14	4	..	..
Humbolt,	"		13½	6	3	1
Watrous,	"		12	5	..	..
Lipton,	"		12	10	5	5
Imperial,	"		12½	10½	5½	5½
Wilkie,	"		16	4	..	..
Prince Albert,	"		12	5	..	..
Weyburn,	"		15½	5	..	..
Yorkton,	"		9	8	3	3
Saskatoon,	"		12	5	..	..
Esterhazy,	"		10	8	3	3
Winnipeg,	Man.		12	5	..	..
Deloraine,	"		12	5	..	..
Gladstone,	"		8	5½	½	½
Morden,	"		12	5	..	..
Stonewall,	"		12	5	..	..
Binscarth,	"		8	7	2	2
Souris,	"		12	5	..	..
Dauphin,	"		11	6½	3½	1½

"Something has been said, although I do not recall it in the evidence, about "the blanketing of the Winnipeg rates back into Saskatchewan, and even into "Alberta; but it is obvious that with (say) 36½ cents on lumber from Vancouver "to Calgary and 40 cents to Winnipeg, there is not much margin for graduation "over the intervening 837 miles. What the Company did was to scale the rate "upward for 128 miles from Calgary to Tilley, Alberta, where the 40 cent rate "begins and continues to Winnipeg. Similarly, the Calgary shingle rate of "38 cents was graduated through 476 miles to Pinkie, Saskatchewan (first station "west of Regina), where the 50-cent Winnipeg rate commences. A progressive "graduation could be obtained only by advancing the Winnipeg rates, or by "a heavy cut in the Calgary rates, against which no complaint has been registered.

"The same situation prevails south of the international boundary. The "rates from the Washington coast mills to the Great Northern's Red River "points (Fargo and Grand Forks, N. D.), are the same as from Vancouver to "Winnipeg, except that the United States carriers still classify cedar lumber "with shingles at the higher rate. The Great Northern's 50-cent shingle and "cedar rate is backed up for 565 miles from Fargo to Vandalia, Mont., and its "40-cent fir lumber rates for 619 miles to Exeter, Mont., compared with the "Canadian Pacific's 362 and 710 miles, respectively, to Pinkie and Tilley.

"Exhibit 112 of Counsel for Saskatchewan and Alberta deals only with "the Canadian Pacific main lines rates from Vancouver, and takes no account "of the new tariff of last July (it seems to have been prepared before that tariff "was issued); therefore, credit is not given for the reductions above referred "to. It may be well to repeat that the present tariff is the product of agree-"ment between shipper and carrier.

"As regards the lumber rates from the Lake of the Woods district, from "Selkirk, and from the spruce belt of northern Manitoba and Saskatchewan, "some of Mr. Cowan's comparisons are apt to prove misleading, unless put "beside the tariffs themselves, for the reason that in order to secure similar "distances from different shipping points, destinations have had to be selected "from groups of stations of varying distances, but all taking the same rate. That "the grouping of a number of stations at the one rate, particularly as the hauls "lengthen, is necessary, must be obvious, since the stepping up of the rates "from station to station would produce rates which, for the longer hauls, would "be prohibitive and useless. Such grouping is a recognized principle in tariff "construction everywhere. The lumber rate of 11 cents from Kenora to Portage "La Prairie (182 miles), is set against 12½ cents from Selkirk to Killarney "(188 miles), thus apparently showing that if the former is reasonable the latter "must be excessive. But the Killarney rate extends farther on to Boissevain "207 miles. The purpose of this particular exhibit seems to be to show a higher "basis of rates for similar distances from Selkirk than from Kenora; yet if we "set this Selkirk-Boissevain 207-mile rate of 12½ cents against the rate of 14 "cents for 210 miles from Kenora to Austin, we get a reverse result.

"One more example. At the same page, Counsel cites 20 cents from Selkirk "to Indian Head against 19 cents, for nearly the same distance, from Kenora "to Russell. But the 20-cent rate from Selkirk operates as far as Regina, 382 "miles, while for 383 miles from Kenora to Percival, Sask., the rate is 21½ cents; "again a comparision against the exhibit.

"Whether it would be worth while to attempt the removal of these dis-"crepancies only an exhaustive analysis of the tariff and the mileages could show. "It appears that during 1913 less than two cars a month were shipped from Selkirk.

"Page 27 of Mr. Cowan's exhibit is of the same character, but covers more "territory.

"Similarly, page 28 of the exhibit tabulates comparatively a number of the "Canadian Northern's rates from Big River, Prince Albert, Crooked River, and "Grand View, all in the northern spruce belt, to points on the Canadian Pacific, "and page 29 to points on its own lines. These exhibits are open to the same "criticism expressed above with respect to pp. 26 and 27. Considering the "greater number and complexities of routes from the north, and the more or less "comprehensive groupings of destinations entailed by the competitive obligations "in the southerly sections, I do not think the inconsistencies are many or serious; "nor can I find that preferential treatment has been given to Manitoba.

"The Canadian Northern's Exhibit No. 106 contains at page 9, a comparison "of the lumber rates of the Great Northern from Bemidji, Minn., with those of the "Company for similar distances from Rainy River, considerably to the advan-"tage of the latter. Bemidji is due south of Rainy River, and is said to be an im-"portant saw-mill point."

XXVI.

Live Stock.

Horses, cattle, sheep, and hogs, in carloads, are in the 9th class of the Canadian Freight Classification. In the table prepared by Mr. Hardwell, the standard maximum 9th class rates within Manitoba are given in Column 1. Column 2 shows the present special rates on horses; and Column 3, those on cattle, sheep, and hogs—being the rates charged generally in the three prairie provinces.

Special Mileage Rates on Live Stock in "Prairie" Territory.

Column 1—Manitoba Standard 9th Class Rates.
Column 2—Special Mileage Rates on Horses throughout "Prairie" Territory.
Column 3—Special Mileage Rates on Cattle, Sheep and Hogs throughout "Prairie" Territory.
Column 4—Distributing or "town" 9th Class Rates.

Miles	1	2	3	4
25	8	7½	6½	7
50	11	11	10	9
75	14	14	13	12
100	17	17	15	14
125	20	18½	16½	17
150	21	19½	17½	18
175	24	21½	18½	20
200	26	22	19½	22
225	28	23	21½	24
250	29	24	22	25
275	31	26	23	26
300	33	27	24	28
325	35	28	26	30
350	37	28½	27	31
375	38	30½	28	32
400	40	31½	28½	34
450	43	33½	31½	37
500	47	36	33½	40
550	50	38	36	42
600	53	41	37	45
650	56	43	39	48
700	60	44	40	51
750	62	46	42	53
800	65	48	43½	55
850	68	50	45	58
900	71	52	47	60
950	74	54	49	63
1000	77	56	51	65

These working rates, it will be seen, rule lower than the Manitoba standard scale, notwithstanding that the existing standard is 7½ per cent higher in Saskatchewan and Alberta. Between all points from Lake Superior to the mountains for distances over 110 miles the rates are lower than the 9th class of the distributing or "town" tariff scale on the Manitoba basis made effective by this judgment; the differences running up from half-a-cent to 13 cents for the 850 mile group in which the representative Calgary-Winnipeg haul is included. Below 110 miles the rates are in some cases the same as the "town" tariff; others are slightly lower, while others, again, are slightly higher. In no case does the difference either way exceed one cent, except for the distances between 35 and 45 miles where the cattle rate is 1½ cent higher than the "town" tariff. Shipments for these distances are, however, probably infrequent.

In Ontario, the general basis of the rates on cattle, sheep, and hogs is also the 9th class of the "town" tariff scale, with a one-cent reduction for a few of the mileage groups, merely for the purpose of securing a better alignment of the schedule.

Hogs are carried to the packing houses at lower than these rate-bases both in eastern and western Canada.

As regards the carload weight, we note that the cattle minimum under the Canadian Freight Classification is 20,000 lbs., and that the average at the Winnipeg stock yards for the year 1912 was stated in evidence to have been 20,300 lbs., actual weight according to the scales. Mr. Lanigan compared this with a minimum of 24,000 lbs., on which he said charges were collected from shipping points in Minnesota and North Dakota to St. Paul; but, under cross-examination by Mr.

Pitblado, he admitted that this was a mistake, and that the minimum in those States should, according to a Great Northern Ry. tariff produced, be 22,000 lbs. It appears, however, that from Montana, whence the bulk of the cattle seems to be shipped, and which is comparable with Alberta, the minimum is 24,000 lbs. The average charge per carload made by the Canadian Pacific during 1912, with respect to shipments of cattle from the Alberta ranges to Winnipeg, would be for 20,300 lbs., whereas the Great Northern's lowest charge on shipments from Montana to St. Paul would be that for 24,000 lbs.

The Canadian Pacific filed Exhibits Nos. 81 and 82 contrasting the volume of this traffic on each side of the line. These show that during the year 1912 there were received at the stock market at South St. Paul, Minn., 2,140,719 head of live stock; and at Winnipeg, 277,964 head,—a difference of 1,862,755 head. At Sioux City, Iowa, the receipts were 2,345,021, or 2,067,057 head more than at Winnipeg.

In this connection, mention may be made of the Saskatchewan and Alberta Government Exhibit No. 45, Series "B", page 24. This compares certain rates of the Canadian Pacific to Winnipeg with rates of the Great Northern to Sioux City, to the disadvantage of the former. For example; the rate of 43 cents for 783 miles from Gleichen, Alta., to Winnipeg is shown to be 8 cents greater than the rate (35 cents) for 784 miles from Snowden, Mont., to Sioux City; but, in a ranching country such as Montana, the Great Northern's rate from Snowden cannot be effectively greater than that of the Chicago, Milwaukee & Puget Sound Ry. from Mildred, Mont., which is only 619 miles from Sioux City; consequently the comparison is not unfair between the 783 mile haul of the C.P.R. at 43 cents and the Montana 35 cent rate for 619 miles. The Government exhibit gives four other comparisons between Winnipeg and Sioux City, but all are similarly based on the longer haul of the Great Northern, rather than on the shorter one of the C.M. & P.S. Ry. Mr. Lanigan admitted in cross-examination by Mr. Cowan that he could not say whether the C.M. & P.S., when it built into Montana, introduced lower rates than those already in existence from corresponding points on the Great Northern, or whether it simply adopted the latter Company's tariff. As Mr. Cowan did not disprove the former hypothesis, nor prove the latter, it would seem that the Canadian Pacific is entitled to take the shorter mileage equally with Counsel's choice of the longer. If the C.M. & P.S., per ton mile rate were applied to the C.P.R. hauls to Winnipeg from points named in the exhibit, the Gleichen rate would go up from 43 to 44½ cents, and the rate from Olds from 47 cents to 48½ cents, while those from Calgary, Red Deer, and Morley would remain unchanged at 45, 46, and 47 cents respectively.

The same exhibit, however, shows the rates for corresponding distances to St. Paul via Great Northern; and these are considerably higher than the rates to Sioux City. The St. Paul comparison is more favorable to the C.P.R., and is some indication that the C.M. & P.S., did reduce the Montana rates when they entered that State.

Live stock shipped to St. Paul, which is afterwards re-shipped locally or for export, pays the two rates into St. Paul and out again. The Canadian Pacific, however, as was brought out in Mr. Lanigan's evidence, permits at Winnipeg a sorting and re-shipping privilege which must be of considerable value to the trade. This arrangement, as set out in the Company's tariff, is as follows:

"Through shipments may be held out, in transit at Winnipeg stock yards for sorting, and if "local delivery is required the through freight bill is corrected and the receiver pays the Winnipeg "rate. Shipments consigned locally to the Winnipeg stock yards, which shippers desire to forward "to eastern points, are taken on to the new destination at the through rate from the original "shipping point.

"If on arrival of a through carload at the Winnipeg yards, the owner desires to deliver a "portion for local use at Winnipeg and to send the remainder to the eastern contractual destination, "the company collects the charges on the stock delivered at Winnipeg at the Winnipeg rate, and "for the actual weight, and forwards the balance east at the through rate from the original point of "shipment."

As regards shipments to British Columbia, it is to be observed that here also, the current rates are, generally speaking, less than the proposed "town" distributing basis from "Prairie" to "Pacific" territory—to the principal market, viz., Vancouver, they are distinctly lower.

Thus, from	Calgary,	standard,	75;	"town,"	67;	actual	rate	49	cents	per	100	lbs.
"	Red Deer,	"	84;	"	75;	"	"	54	"	"	"	"
"	Lethbridge,	"	86;	"	76;	"	"	57	"	"	"	"
"	Medicine Hat"		90;	"	80;	"	"	58	"	"	"	"

On a review of the entire situation, I am of the opinion that for the present the rates on live stock should not be reduced by Order of the Board.

XXVII.

Cement Rates.

Cement manufacturing plants are operating at Winnipeg, Calgary, Exshaw, and Blairmore; a large mill is being built at Medicine Hat; and I understand one is in process of construction at Edmonton. Except in so far as the rates out of Winnipeg are concerned, cement moves under the 10th class rate of the Saskatchewan "town" tariff scale to points in the three "Prairie" provinces. This practice follows the Canadian Freight Classification, cement being in the 10th class. A special tariff, however, has been put in applying to movements from Winnipeg. Under this tariff, for example, a movement from Winnipeg to Neepawa of 117 miles takes a rate of 9 cents, while a movement from Blairmore to Taber, a distance of 120 miles, under the Saskatchewan tariff, takes a rate of 12 cents.

The Winnipeg scale on the whole, compares favorably with the scales in Eastern Canada. In some instances the rates are a little higher, in some instances a little lower; but dealing with the rates generally it cannot be said that there is much difference between one scale and the other. There is no reason, however, why the Winnipeg mill should receive better rates than mills at other points; and I am of the opinion that the commodity rates on cement should be revised so that from Saskatchewan and Alberta plants, they shall not be greater for similar distances than from Winnipeg, and that the 10th class rates of the distributing "town" scale shall not be exceeded from any manufacturing point.

XXVIII.

Fence Posts, Etc.

The special mileage rates on fence posts, rails, and poles are lower for all distances in Manitoba and New Ontario than in Eastern Canada, and average lower in Saskatchewan and Alberta,—a peculiarity of which rates is that they cover, also, all lines in British Columbia. With the addition of an initial five-mile group at 2½ cents, splitting the present ten-mile three cent rate, the Manitoba schedule will be extended so as to cover the entire "Prairie" territory; but seeing that the rates in British Columbia are virtually those of eastern Canada, they should not, in my opinion, be reduced, except by the introduction of a five-mile group, as on the prairies, at 2½ cents. It may be added that these rates on fencing materials cover rough wood stuffs for mining purposes, such as props, ties, stulls, etc.

XXIX.

Firewood.

Here, again, the rates of the two westerly prairie provinces are carried into British Columbia. In the east, the slab rates rule slightly lower—about half a cent per 100 lbs.—than those on cordwood.

Not only are the Manitoba rates lower than the eastern cordwood rates averaging considerably less; but, for distances over 150 miles, they are below the eastern slab rates. Even the British Columbia rates are less than those of Eastern Canada for distances over 300 miles, and are but little greater below 250 miles.

I am of the opinion that the same order should be made in this case as in that of fence posts—that the tariff of Manitoba should be uniformly applied throughout "Prairie" territory, and that the British Columbia rates should not be interfered with, except that the initial group in each instance, instead of being 25 miles, should be made 10 miles, taking on the prairies a rate of 2 cents, and 2½ cents in British Columbia, in place of the present minimum charge of 2½ and 3 cents respectively.

On some of the Great Northern's lines in British Columbia, firewood is carried at per cord rates. I see no objection to the continuance of this system, provided the charges on the measurement basis are not in excess of what the charges would be on the weight basis.

XXX.

Building and Paving Materials.

Building and paving brick, stone, gravel, sand, and clay are provided with low mileage commodity tariffs in the east and in the west. In the west, slightly higher rates are charged by the Canadian Pacific in Saskatchewan and Alberta than in Manitoba and New Ontario, a difference not observed by the Canadian Northern which carries the lower scale over its whole system. Both Companies' scales are lower than those charged east of the lakes, except on dimension and coursing stone, the western rates on which are slightly over the eastern.

In my opinion, the only action the Board would be at all justified in taking in this case, is to direct the Canadian Pacific to make its tariffs uniform throughout the "Prairie" territory, as the Canadian Northern has done; with the further direction, that both companies divide their initial ten-mile group by adding to the tariff one of five miles at 2 cents per 100 lbs. on brick, gravel, stone, and clay, and 2½ cents on dimension and coursing stone, with the result that the minimum charges will be as above stated, in place of 2¾ and 3½ cents respectively.

No necessity is apparent for general mileage tariffs on these materials in British Columbia, where movements are restricted to short haulages, and these are better covered by local commodity tariff items.

It should be noted that the rates on firewood, fence posts and building and paving materials, which are in the main as low as, and in some cases lower than, those in Eastern Canada, would seem to be instances in which the general policy of the railway company as to low rates on settlers' necessaries, has been followed.

XXXI.

Ores and Concentrates.

The carriage of these is confined to British Columbia, where, according to the evidence, the traffic amounts to about 44 per cent of the whole. The rates were not criticised as excessive; they could not well be attacked on that score and it seems to me that the traffic can be remunerative only in the sense of the contribution it may make to the general prosperity, as well as producing an outward haul.

XXXII.

Sugar Ex Refineries.

This commodity has been the subject of several hearings. The Order of the Board No. 4886, June 16th, 1908, virtually restored an arrangement which fixed Portage la Prairie as the main line point where the commodity rate from Vancouver should meet the all-rail 5th class tariff rate from Montreal, which is 75 cents, the Winnipeg rate being fixed at 78 cents from Vancouver. The basis of this settlement was a compromise whereby the Canadian Pacific made an attempt to reconcile the conflicting claims of the Montreal and Vancouver refiners for what they, respectively, considered their legitimate shares of the western market. Since that time, reductions have been made in the general class-tariff from the east; but the rates to Winnipeg and Portage la Prairie are unchanged, being 69 cents to Winnipeg (exclusive of cartage), and 75 cents to Portage la Prairie. The proposed new tariff from Port Arthur will have the effect of reducing the Portage la Prairie rate from Montreal to 74 cents; and at this point it should be borne in mind that while the sugar rates from Vancouver are commodity rates, those from Montreal are the regular 5th-class tariff rates, Montreal having no commodity rates on sugar to the west.

Because the rates from Montreal rise as the haul lengthens from Portage la Prairie westward, the railway company did not scale down the rate from Vancouver as its haul shortened; and consequently the 75-cent rate from Vancouver was blanketed back to Calgary, to which point the Montreal rate is $1.33, but in the revision from Port Arthur it will be made $1.26, per 100 lbs.

The British Columbia Sugar Refining Company contends that whenever the rates from Montreal are reduced they should receive a corresponding concession, thus disregarding the fact that so long as the Portage la Prairie rate is not continued westwardly, they have the advantage; further, that they should have the per ton mile rates of the westbound tariff from Port Arthur, notwithstanding the mountain grades; and that their 75-cent rate should be scaled down westwardly from Portage la Prairie. This latter contention discounts the competitive character of the equalizing arrangement mentioned above, and would involve an unnecessary sacrifice of revenue by the railway company, since the Vancouver refiner's freight bill would diminish as that of their Montreal competitors increased.

I see no reason why the arrangement of 1908 should be disturbed. While the Montreal refiners will secure some reductions into Saskatchewan and Alberta, by reason of the extension of the Manitoba scale from the lake ports westward to the mountains, the Board has been given, in my opinion, no reasons that would justify the cutting down of the existing commodity rates from Vancouver to "Prairie" territory. Following the hearing of the application of the British Columbia Sugar Refining Company at Vancouver, in July, 1912, the Canadian Pacific and Canadian Northern filed, at the request of the Board, statements of the sugar shipments from Vancouver and from the Lake Superior terminals, subsequent to April 1st, 1912, the date on which the reduced westbound schedule, consequential on the Order in the Regina Case, became effective. The B.C. Company's production covered the five months to August 31st, 1912, and showed that of the total quantity to its own points 98.80 per cent came from Vancouver; and the Canadian Northern's statement, extending to July 31st, gave 89.66 per cent from Vancouver.

And the proposed new distributing tariff from Vancouver (pages 139, 140, 141) will give the refiners of that city substantial reductions to British Columbia destinations east of Yale.

XXXIII.

Sugar from Raymond, Alta.

The Knight Sugar Company of Raymond, Alberta, telegraphed the Assistant Chief Commissioner at Vancouver on the 26th of July, 1912, prior to the hearing of the complaint of the British Columbia Sugar Refining Company, as follows:—

"Understand British Columbia Refining Company applying to your Board for reduced freight "rates on sugar to Winnipeg and intermediate territory. We beg to point out that our whole "market is affected, and we protest hearing their case until we have an opportunity considering "application, and how it will affect our interests."

Having regard to the special commodity rates from Vancouver to " Prairie " territory, and the advantages in "Pacific" territory that will accrue to the British Columbia company under the proposed distributing tariff from Vancouver, and the decreases to be secured by the Montreal shippers by the adoption of the suggested lake ports terminal tariff, I consider that the Raymond refiners are entitled to equitable treatment. I am, therefore, of the opinion that, although Raymond is not a recognized distributor of general merchandise in the sense of having a " town " tariff, these refiners should be given this special tariff basis within the sphere of their operations. The following table shows these proposed rates in column 2, the present rates being those in column 1:—

Sugar from Raymond, Alta.

Column 1—Present Carload Commodity rates.
Column 2—Proposed Carload Commodity rates.

To	Miles	1	2
Carsdton	40	13	11
Lethbridge	27	11	9
Macleod	58	17	13
Frank	113	25	19
Fernie	164	32	32
Cranbrook	227	42	38
Nelson	360	60	51
Kaslo	363	66	56
Rossland	415	60	51
Grand Forks	455	76	67
Midway	487	80	71
Calgary	153	31	23
Red Deer	245	36	30
Edmonton	344	42	37
Medicine Hat	139	29	22
Maple Creek	187	33	26
Swift Current	265	39	31
Moose Jaw	382	47	40
Regina	424	50	42
Saskatoon	598	64	53
Weyburn	473	54	46
Brandon	648	60	55
*Port. la Prairie	726	60	58
*Winnipeg	781	60	58
Yorkton	655	73	57
Boissevain	671	65	57

*Winnipeg rate as maximum.
*Present rate, less cartage.
Present Winnipeg rate includes cartage; proposed rate does not.

XXXIV.

Dairy and Packing House Products.

The companies have in effect in "Prairie" territory a special mileage tariff on butter, cheese, eggs, dressed meat, and dressed poultry, both in carload and less quantities, providing tolls for each of these commodities in accordance with the ratings of the Freight Classification. An examination of this schedule shows that while, as a matter of course, it is lower within Manitoba than the standard tariff of that province, it is applied also in the other two provinces. It is, however, somewhat higher than the Manitoba distributing or "town" basis, which is now the proposed uniform one east of the mountains; and the tariff referred to may, I should think, be fairly regarded as an indication, on the part of the railway conpanies, of a policy of encouragement of mixed farming. The great bulk of these commodities must naturally move into the centres of population; and, as most of these possess distributing tariffs, I consider that the distributing or "town" basis might reasonably be applied to the entire schedule, thus avoiding practically unnecessary limitations. In order to illustrate the result of the application of the Manitoba "town" tariff to the movement of Dairy and Packing House Products, Mr. Hardwell has prepared the following schedule, applying on mileage groups up to 500 miles:—

"Prairie" Territory Special Mileage Tariff on Butter, Cheese, Eggs, Dressed Meats and Dressed Poultry, in carloads and less than carloads, in accordance with the Canadian Freight Classification. Each commodity in mixed carloads to be carried at its carload rate.

	1st	2nd	3rd	4th	Classes
25.....	19	15½	12½	9	Present
	17	14	12	9	Proposed
50.....	27½	22½	19	14½	Present
	26	21	17	13	Proposed
75.....	35½	30	23½	18½	Present
	32	27	22	17	Proposed
100.....	42½	35½	28	21½	Present
	39	32	26	20	Proposed
125.....	49½	41½	33½	24½	Present
	46	38	30	22	Proposed
150.....	54½	46	36	27½	Present
	50	42	33	26	Proposed
175.....	60	50½	40	30	Present
	55	46	37	27	Proposed
200.....	64½	52½	42½	31½	Present
	58	48	39	29	Proposed
225.....	69½	58½	46	34½	Present
	64	54	43	31	Proposed
250.....	72	60½	48	36	Present
	66	55	44	33	Proposed
275.....	77½	64½	51½	39	Present
	71	60	47	36	Proposed
300.....	80½	67	53½	40	Present
	74	53	49	37	Proposed
400.....	97	81½	64½	49	Present
	89	75	60	45	Proposed
500.....	113	94	75	57	Present
	104	86	69	52	Proposed

For less than carloads and carloads respectively, butter is in the second and third classes; cheese in the third and fourth; eggs, second and fourth; dressed poultry, first and third; and dressed meat, first and fourth; each commodity, in the case of mixed carloads, in this schedule taking its own carload rate, as in the tariffs now in use.

The Order in this case need be made only against the Canadian Pacific, allowing the competing lines the benefit of any of the longer mileages of that company, if they desire to use them.

In so far as traffic in Dairy and Packing House Products into British Columbia are concerned, Mr. Hardwell reports as follows:—

"I find that the Canadian Pacific has a special commodity tariff in force which is on a lower "scale than that of the distributing tariffs recommended earlier in this report, notwithstanding "the improbability of any appreciable tonnage of dairy products, under present conditions, from "the cities whence distributing tariffs apply. The following will illustrate: the first column "of figures, in each example, being the rates of the "town" distributing scale, the second the "rates actually charged all per 100 lbs.

FROM RED DEER.

	To Revelstoke			*To Vancouver*		
1st class	1.19	—	1.17	2.04	—	1.85
2nd class	1.02	—	.98	1.70	—	1.55
3rd class	.79	—	.78	1.36	—	1.23
4th class	.60	—	.59	1.01	—	.93

FROM MAPLE CREEK.

	To Revelstoke			*To Vancouver*		
1st class	1.48	—	1.43	2.22	—	1.76
2nd class	1.23	—	1.19	1.84	—	1.47
3rd class	.98	—	.95	1.47	—	1.29
4th class	.75	—	.72	1.11	—	1.05

"Although not referred to in the case, it may not be out of place to report that we have on "file a special tariff of the Canadian Pacific applicable to a liberal carload mixture of dairy products, "dressed meat and poultry, pickled and frozen fish, and the usual animal products of the packing "houses at Calgary and Edmonton, to points in Saskatchewan, Alberta, and British Columbia, "each article taking its own carload rate, as in the case of dairy products referred to above. "Taking Vancouver as a point of destination, these rates appear as follows, compared with even "the proposed reduced Vancouver class-tariff rates of the upper line in each illustration:

	1st	2nd	3rd	4th	5th	Classes
From Calgary	1.88	1.56	1.25	.94	.84	per 100 lbs.
From Calgary	1.23	1.00	.91	.80	.75	per 100 lbs.
From Edmonton	2.16	1.81	1.45	1.08	.97	per 100 lbs.
From Edmonton	1.66	1.35	1.26	.92½	.87½	per 100 lbs.

These rates would indicate an extension of the Company's policy of making rates having regard to the products of the farm, and have apparently been made with the direct object of advancing the interests of mixed farming in the Prairie Provinces. These rates are relatively low and are not interfered with.

XXXV.

Coal Rates.

Coal is one of the most important of all the commodities in a country such as the Canadian North-west. Some of the present rates on coal in the Western Provinces are out of proportion and would seem to be entirely too high. The rates there appear to be in conflict with the companies' avowed policy of low rates for settlers' necessities. The Companies object to reductions in these rates, as indeed they do to all other rates; but the present tariffs—those from Estevan and Bienfait, for example—show that some of the rates are entirely out of scale. I do not wish it to be inferred that the coal rates are excessive when measured

by the Freight Classification and the Standard Tariff; but, apart from all question as to company policy, a ground of consideration not open to the Board, and merely having regard to the character of the product, the tariffs, and practice with respect to low grade commodities (coal in particular), which are necessarily given special consideration by all carriers and rate regulating commissions, and are not overlooked in this judgment, I am of the opinion that these western coal rates should be reduced to a basis as low as can be consistently directed.

An arrangement that commends itself has been introduced by the Canadian Pacific in connection with the mines along the Crow's Nest line. As a rule, the collieries are more or less bunched into well defined groups, separated by exceptional distances or by physical barriers. For example, the Reliance-Taber-Barnwell pits are bunched within 7½ miles, followed by Lethbridge and Kipp, 8 miles apart and linked together for rate-making purposes but 27 miles farther west than Barnwell, of the first mentioned group. Then follows Lundbreck, 65 miles west of Kipp; and next, going west, is a chain of seven mines, from Burmis to Coleman inclusive, covering only 13 miles; and so on. Notwithstanding the fact that the actual mileage would not give each mine in each group the same rate in all cases, the practice has been to establish equality of tolls from each group of mines to all destinations over 100 miles distant; that is to say, for eastbound hauls the rate appropriate to the mileage of the easternmost pit, and westbound that from the westernmost, is applied from the whole group. This seems to me to be so fair an arrangement that it should be continued, and be applied in all the coal fields tapped by each railway company.

Mr. Hardwell has prepared the following typical tables, showing the present and proposed rates to a limited number of destinations, viz:

From Lethbridge in southern Alberta;
" Cardiff in northern Alberta;
" Bienfait and Estevan in southern Saskatchewan.

The last mentioned table shows the proposed Estevan rates as applying westbound from Bienfait as well, and the proposed Bienfait rates as applying eastbound from Estevan, for hauls of over 100 miles, thus exemplifying the equalizing arrangement referred to above. These two shipping points are only 9 miles apart. The entire group of mines in the Souris Valley will now receive the benefit of a system hitherto accorded only to those of the Crow's Nest Section.

For joint hauls between points involving the services of two carriers, the through rate must not be more than 20 cents per ton over and above that applicable to the through mileage as for one carrier; and where, in some isolated cases, the companies, for some specific reasons, have an existing rate lower than the basis now prescribed, the existing rate shall be continued.

As regards the Bienfait-Estevan rates; it will be noticed that the proposed reductions are slight to Manitoba and the nearer Saskatchewan points compared with the longer Saskatchewan hauls,—also with the reductions from Lethbridge; and that in some cases the present rates remain, thus indicating a lower existing scale from these mines. According to the evidence, these special rates are partly due to a contract between the Canadian Pacific and the Manitoba Government, and to the Order of the Board No. 6749, dated February 11th, 1909, in the case of Board of Trade of Alameda vs. Canadian Pacific Railway Company. This Order reduced the rates to all stations between Bienfait and Lauder, Man., and directed that the rates to other points where dislocation of customary bases might ensue from the reductions so ordered, were to be graduated proportionately. Since, however, the re-adjustments now recommended will put all shippers on a relative footing, no just cause for complaint is apparent.

Counsel for the Provinces of Saskatchewan and Alberta filed Exhibit No. 45, Series " B ", comparing (page 18) the coal rates of the Canadian Pacific

from Estevan with those of the Great Northern, the Northern Pacific, and the "Soo Line" in North Dakota. It appears in evidence that these rates were prescribed, not by the State Railway Commission, but by the Legislature; and they seem to be exceptionally low. On what grounds they were prescribed does not appear; but the following clause printed in the tariffs of the railway companies affected indicate their position:—

"This tariff is put in under protest in compliance with the decree of the Supreme Court of "the United States in the case of State of North Dakota against the Great Northern Railway "Company. The Railway Company insists that the said tariff is unreasonably low and wholly "uncompensatory, and that it intends in due time to apply to the Court for leave to prove these "facts according to the provisions of said decree."

These tariffs were promulgated in April, 1910, and the evidence states that they are now before the Supreme Court of the United States.

The same exhibit gives some of the rates in force within North Dakota, before those mentioned above were ordered by the Legislature; these are still the rates charged from North Dakota to Minnesota points. Although even these are lower than the rates made effective by this judgment, they should, under the circumstances, offer a fairer comparison than the first mentioned.

The next page of the exhibit gives the Commission-prescribed rates in the State of Montana. Although for the shorter distances these are lower, they are higher than those of the schedule herein directed, which may be regarded as somewhat of a compromise, with the advantage that circumstances and conditions considered, they establish similarity of rates for equivalent distances.

It should be noted that the Commission has no evidence before it which would justify it in lowering or raising a rate as the result of a comparison of American rates for the reasons already pointed out. The essential evidence as to conditions in the United States—volume of traffic, and so on, required by counsel for the Provinces himself, as requisite to a proper comparison has never been supplied.

The Board feels that the rates adopted are as low as it can consistently order. The entire territory served by each group of mines must, of course, be covered at rates properly proportioned and graduated, as the Chief Traffic Officer's tables are only illustrative.

Coal Rates from Lethbridge, Alta.

Column 1—Present rates per net ton.
Column 2—Proposed rates per net ton.

Lethbridge to	Miles	1	2
Sterling	19	.80	.55
Cardston	67	1.30	.90
High River	101	1.65	1.30
Calgary	127	1.80	1.45
Didsbury	172	2.05	1.65
Red Deer	219	2.25	1.90
Wetaskiwin	276	2.65	2.10
Edmonton	318	2.85	2.20
Irricana	171	2.20	1.65
Gleichen	179	2.05	1.65
Bassano	207	2.15	1.75
Medicine Hat	116	1.65	1.45
Maple Creek	164	2.05	1.55
Gull Lake	214	2.25	1.90

Coal Rates from Lethbridge, Alta.

Continued.

Column 1—Present rates per net ton.
Column 2—Proposed rates per net ton.

Lethbridge to	Miles	1	2
Swift Current	242	2.40	1.90
Vanguard	286	2.65	2.10
Morse	286	2.65	2.10
Mortlach	334	2.85	2.30
Moose Jaw	259	2.95	2.40
Expanse	394	3.10	2.55
Regina	401	3.10	2.65
Indian Head	443	3.30	2.75
Broadview	494	3.55	3.00
Moosomin	538	3.80	3.20
Virden	578	4.10	3.40
Brandon	625	4.20	3.55
Carberry	252	4.25	3.75
Portage la Prairie	703	4.35	4.00
Winnipeg	758	4.45	4.10
Stettler	286	2.70	2.10
Coronation	344	3.30	2.35
Camrose	301	2.70	2.20
Hardisty	371	3.10	2.55
Macklin	440	3.40	2.75
Kerrobert	487	3.65	3.00
Conquest	487	3.55	3.00
Wilkie	503	3.70	3.10
Saskatoon	572	3.95	3.30
Lanigan	506	3.65	3.10
Bulyea	445	3.30	2.75
Balcarres	506	3.65	3.10
Sheho	590	4.10	3.40
Yorkton	632	4.25	3.65
Binscarth	700	4.35	3.85
Minnedosa	676	4.35	3.85
Gladstone	738	4.35	4.10
Weyburn	450	3.35	2.75
Viceroy	527	3.70	3.20
Estevan	503	3.65	3.10
Maryfield	557	3.95	3.30
Deloraine	628	4.20	3.65
Souris	614	4.10	3.55
Boissevain	648	4.25	3.65
Treherne	688	4.35	3.85
Morden	750	4.45	4.10
Emerson	824	4.55	4.30
Stonewall	778	4.50	4.20
Macleod, Alta	32	.90	.65
Pincher, Alta	62	1.30	1.00
Frank, Alta	87	1.60	1.20
Fernie, B.C.	137	1.90	1.55
Cranbrook, B.C.	201	2.40	1.75
Fort Steele, B.C.	196	2.40	1.75
Moyie, B.C.	220	2.50	1.90
Kootenay Landing, B.C.	284	3.00	2.10
Kaslo, B.C.	337	3.20	2.30
Nelson, B.C.	335	3.10	2.30
Rossland. B.C.	390	3.35	2.55
Grand Forks, B.C.	430	3.95	2.75
Phœnix. B,C.	454	4.80	2.85
Midway, B.C.	462	4.10	2.85
Sandon	416	3.45	2.65

Coal Rates from Cardiff, Alta.

Column 1—Present rates per net ton.
Column 2—Proposed rates per net ton.

Cardiff to	Miles	1	2
Athabasca Landing, Alta	72	1.40	1.10
Vegreville, Alta	96	1.40	1.30
Vermillion Alta	153	1.90	1.55
Kitscoty, Alta	178	2.00	1.65
Lloydminster, Alta	193	2.10	1.75
North Battleford, Sask	278	2.50	2.10
Radisson, Sask	321	2.70	2.30
Warman, Sask	360	3.00	2.45
Rosthern, Sask	386	3.10	2.55
Prince Albert, Sask	433	3.20	2.75
Shellbrook, Sask	380	3.10	2.55
Saskatoon, Sask	373	3.00	2.55
Kindersley, Sask	499	3.30	2.95
Melfort, Sask	471	3.40	2.85
Vonda, Sask	381	3.10	2.55
Humbolt, Sask	425	3.20	2.75
Hudson Bay Jct., Sask	569	3.90	3.30
The Pas, Man	657	3.40	3.75
Hanley, Sask	411	3.20	2.85
Davidson, Sask	443	3.30	2.75
Regina, Sask	533	3.80	3.20
Big River, Sask	437	3.30	2.75
Edam, Sask	316	2.70	2.20

Coal Rates From Bienfait and Estevan.

To	From Bienfait			From Estevan		
	Miles	Present Rate	New Rate	Miles	Present Rate	New Rate
Frobisher	19	60	50	27	70	60
Carnduff	51	85	80	59	85	85
Purson	75	90	90	83	95	95
Napinka	98	100	100	106	105	105
						New rate from Bienfait and Estevan
Deloraine	116	120		124	130	120
Souris	132	140		138	150	140
Boissevain	130	150		144	160	140
Killarney	155	160		161	170	140
Brandon	156	160		164	170	140
Carberry	183	180		191	190	150
Plum Coulee	253	180		261	190	180
Carman	249	180		257	190	170
Portage La Prairie	234	180		242	190	170
Winnipeg	282	180		290	190	180
Emerson	324	220		332	230	210
Neepewa	225	180		233	210	170
Gladstone	251	180		259	210	180
Weyburn	62	90		53	85	80

Coal Rates from Bienfait and Estevan.

To	From Bienfait		From Estevan		
	Miles	Present Rate	Miles	Present Rate	New Rate
Oak Lake	172	175	180	185	150
Virden	188	180	196	190	150
Broadview	238	210	232	210	170
Rapid City	192	180	200	200	160
Minnedosa	207	180	215	205	160
Lenore	213	195	221	205	160
Miniota	233	200	241	210	170
Indian Head	223	190	215	190	170
Regina	138	180	130	180	130
Moose Jaw	140	160	132	160	140
Swift Current	251	215	243	215	170
Maple Creek	335	265	327	265	210
Craven	160	180	152	190	140
Imperial	223	205	215	215	170
Colonsay	272	230	264	240	180
Bulyea	181	195	173	205	150
Stratsburg	188	195	180	205	150
Nokomis	219	205	211	215	170
Lanigan	243	215	235	225	170
Saskatoon	352	260	344		210
Wynyard	280	240	272	250	190
Yorkton	368	270	360	280	220
Expanse	187	190	179	190	150
Vanguard	249	240	241	240	170
Elbow	217	205	209	205	160
Outlook	260	220	252	220	180

Coal from Merritt, B. C.

Column 1—Present rates.
Column 2—Proposed rates.

To	Miles	1	2
Vancouver	218	180	
Hope	129	180	165
Yale	116	180	165
North Bend	89	175	155
Lytton	63	155	135
Spence's Bridge	40	115	100
Ashcroft	66	155	135
Savona	88	200	155
Kamloops	113	200	175
Shuswap	146	200	190
Salmon Arm	178	225	200
Sicamous	197	250	220
Three Valley	227	250	230
Golden	337	385	310
Nicola	7	100	55
Kelowna	276	330	270
Penticton	311	330	290
Arrowhead	270	280	270
Nelson	425	410	365
Sandon	347	410	405
Rossland	428	410	365

XXXVI.

Grain Rates to Lake Superior Ports.

Not only in North Alberta and Saskatchewan, but also in certain parts of Northern Manitoba, the scale of grain rates, on the mileage basis, is out of line with the rates to the south, being in most cases one or two cents higher and in some instances as much as three cents higher than the rates on the main line for similar mileage.

For example, Mr. Cowan in his Exhibit 112, at page 23, shows that Morse, a station on the Canadian Pacific's Main Line in Saskatchewan, distant 892 miles from Fort William, has a 20-cent rate; while Saskatoon, 900 miles from Fort William, but on the Canadian Pacific's northern line running to Wetaskiwin, has a rate of 22 cents; while Webb on the Main Line, distant 950 miles, has a rate of 21 cents as against a rate of 23 cents from Kepple, distant 947 miles on the northern line, and from Naseby a station farther west on the northern line and distant 972 miles.

On the argument, none of the rates were attacked as unfair, but were attacked as being entirely out of line and discriminatory, owing to the fact that no distinction should be made between branches on the one hand and the main line on the other, the branches in the south obtaining as low a rate as the Main Line. For example, Battrum, a station on the Swift Current-Westerham Branch, distant 976 miles from Fort William, takes a 21-cent rate, while Naseby, 972 miles distant, on the northern line, pays 23-cent rate; and the submission of Counsel was that all should be treated alike.

Mr. Hardwell's report on the subject is as follows:—

"Exhibit No. 112, filed by Counsel for the provinces of Saskatchewan and Alberta, pp. 22 and "23, compares the rates on grain and grain products from a number of points to Port Arthur and "Fort William for the purpose of showing that for similar distances the rates from branch lines in "Manitoba are, generally speaking, no greater than on the main line of the Canadian Pacific, and "that in some instances they are lower, while in Saskatchewan and Alberta higher tolls are exacted "on the branches than for equivalent main line distances.

"In a broad sense, Counsel's contention is true, although an examination of cause and effect "shows that his production tends to carry further than he probably intended. While, for example, "several of the rates from southern Manitoba are relatively less than on the main line, they can "be shown to be in conformity with the long-and-short-haul provision of the statute. Gretna, on "the International Boundary, is indicated as taking a 12-cent rate for 490 miles, while for 498 main "line miles from Macgregor the rate is 13 cents. But Gretna is held down by Portage la Prairie "(475 miles), whence the Great Northern must meet the Canadian Pacific 12-cent rate and carry "the traffic through Gretna.

"Then Ninga (595 miles at 13 cents) is contrasted with Routledge (593 miles at 15 cents). "But Ninga is intermediate on the Canadian Pacific to Boissevain, through which the Great "Northern must haul from Brandon, where it is confronted with the Canadian Pacific's 13-cent "rate.

"Winkler, the third citation, is held down by Morden, where, also the Great Northern is "installed, and where that Company could not reasonably ask more than its Portage la Prairie "rate. In each case the Great Northern has been bound by the inhibitions of the statute, the "governing rates having been fixed by the Canadian Pacific.

"The rates from southern Manitoba appear fairly to accord with those of the main line, having "regard to the reflective influence of the Great Northern's competitive obligations. Westward, "the 18-cent rate from Regina and Moose Jaw seems to be the ruling factor, the main line having "only some eight miles advantage over the Canadian Pacific southern routes from these two "points; in no instance is this 18-cent rate exceeded, and the intermediate rates appear to be "reasonably and symmetrically graduated.

"Taking the northern territory, the difference in treatment is confined to the newer lines, and "the cross-cut competition of the south does not exist. Main line equivalents are carried as far as "Yorkton, Saskatchewan, the terminus of the old M. & N. W.; also along the Pheasant Hills "branch for 200 miles to Strassburg, Saskatchewan. This branch, however, parallels the main "line for much of the distance. It is north and west of these that the differences, running from one "to three cents per 100 lbs. are found; also west of Weyburn, whence the rates grade upward on a "line still uncompleted.

"It has not been contended that these rates are unreasonable in themselves, the Exhibits filed "by the Canadian Pacific and Canadian Northern show that higher rates are obtained by the "carriers south of the border to Duluth.

"The Canadian companies have evidently constructed their tariffs to the lake ports on the "zone principle, having regard to the proximity of towns and settlements no matter on which road "situated, so that within each zone the rates are equal on all lines. This system is incompatible "with a rigid mileage rate table; indeed, to my view, the substitution of a tariff based strictly on "mileage would prove unsatisfactory.

"Granting that these terminal grain rates of the Canadian Northern and Grand Trunk "Pacific are not intrinsically unreasonable, the Board's jurisdiction could not, I think, go the "length of a mandate to those companies to adopt the main line rates of the Canadian Pacific; "yet, though such an order might go against the branch lines of the latter company itself, its "obvious secondary effect would be to break down the rates of the other two companies. Taking "the record of grain shipments from all Canadian Northern stations to Port Arthur for the crop "year September 1st, 1912, to August 31st, 1913, as a basis for the calculation, I estimate that such "forced rate reductions, applied to the actual shipments from each station where changes in the "tariff could not be avoided, would aggregate $218,035."

The reductions to Canadian Pacific Main Line rates would, in like manner, make a large cut into the revenue of the Grand Trunk Pacific.

While the shorter line American competition brought about the rate situation referred to by Mr. Hardwell, is operative in southern Manitoba, its effect is lost by the time Orcadia, on the Portage-la-Prairie-Wetaskiwin Canadian Pacific Railway Branch, Canora on the Canadian Northern main line, Melville on the Grand Trunk Pacific main line, and Moose Jaw on the southern line, are reached. In any event, there does not seem to be any justification for a lower rate west of Moose Jaw on the Canadian Pacific's main line and southern branches than on the northern branches based on shorter American line haul. No such competition here exists. The low rate manifestly must have been put in merely with a view to assist in building up the district. The situation is very much complicated by the operation of the Canadian Northern and the Grand Trunk Pacific. In view of reductions to be made under this judgment, neither of these lines could hope to obtain any proper revenue if the rates in the Northern country were reduced to the level of Canadian Pacific main line rates.

While, in the adjustments and reductions ordered, the exigencies of neither line have been considered as a governing or controlling factor but merely as forming part of a general situation which should be considered, it would be idle to say that their operations were given any real consideration if the grain rates in the north were, by the Board's Order, reduced to the same scale as the rates in the south. Does it, then, become necessary to increase the rates in the south to the standard charges of the north? I do not think so. The farmer of the north is not in any way injured by a lower rate in the South. No competition exists between farmers as to price; they are not selling in a limited market, so that, as the result of any saving in transportation or otherwise, the one can undersell the other. The effect of the lower rate situation in the south is to enable the farmer at that point to save a little on his railway grain haul. Farmers in the north would not be helped in any way by raising the rates in the south, the only effect of which would be, for the sake of removing a so-called discrimination which injures no one, to add materially to the earnings of the Canadian Pacific. But it may be said that the higher rate is a matter of direct injury to property owners in the north, in that, other things being equal, settlers are more likely to purchase property where the freight charges are lowest. In a sense, but only to a limited degree, is this the fact. Proximity to the railway is more important than a low railway rate available only at a distance of 30 or 40 miles. The railway hauls in the south are considerably longer than those in the north, owing to the railway extension which has taken place to such a large extent in the north. The Canadian Pacific, at the time these rates were put into effect, had as a reserve practically the whole territory from Moose Jaw west to MacLeod in the south and to Calgary in the north; and, even to-day, from Westerham on its Swift Current Branch to the International Boundary, a distance of 132 miles, it has absolutely no competing mileage. On the other hand, from Loverna on the Grand Trunk Pacific Branch, up to Lloydminster on the Canadian Northern main line, a distance of 112½ miles, will be found the Canadian Pacific's Ker-

robert-Stettler branch, the Canadian Pacific's Wetaskiwin Branch, and the Grand Trunk Pacific's main line, so that within this distance running north and south, in about 112½ miles, there are five lines. The result is that with a greater mileage in the north, and although the northern portion is a very fertile portion of the country, the Canadian Pacific's eastern movement for the months of September, October, and November, 1913, amounted to 207,023,179 gross tons hauled one mile; while on the southern lines, that is the lines from Moose Jaw to Calgary and Dunmore to Lethbridge, the movement was no less than 776,061,-331 one mile gross tons, or a movement of more than three to one. This, of itself, is a factor which has a bearing on the justification of rates which have been objected to. The disparity of movement is not an indication of smaller production or business in the Northern section as compared with the South, but is in part accounted for by the extended railway facilities enjoyed by the North and a consequent sub-division of the traffic between closely paralleling lines. Probably, so far as a very large part of the farmers themselves are concerned, those in the north with the much greater railway facilities and consequent shorter railway haul, obtain a greater advantage than can be expressed by a difference of three cents in a freight rate enjoyed by farmers in the south.

XXXVII.

Commodity Rates.

A general request has been made that commodity rates should be granted for certain manufactured articles and their raw materials in Western Canada. There is no reason why they should not be granted as and when a proper case is made out requiring special treatment for special commodities. The question was dealt with entirely at large, except as to pig iron. The complainants did not seem to desire at the present time to obtain (and in this I think they were well advised), anything more than a statement that the commodity principle should be extended to the West. It has already been extended in a large degree in British Columbia. Practically all the important products of that province enjoy commodity rates,—rates which are reasonable and have not been complained of in the present case. Take, for example, the commodity rates on ore and its sundries, pig lead, bluestone, canned salmon, fruit, and vegetables. The question of special rates on grain, flour, and other commodities, in the Prairie Provinces, has already been dealt with in this judgment. The request for commodity rates now advanced is with the view to the establishment of manufacturing industries. These should be granted on a proper case being made out. In so far as a commodity rate on pig iron (a special request by Mr. Pitblado) from Port Arthur and Fort William to Winnipeg, is concerned, a good case has been made out. It is a raw material that loads heavy and is not liable to injury in transit. At present it takes the 10th class terminal distributing rate of 20 cents per 100 pounds. In view of all the circumstances, I am of the opinion that the rate should be reduced to a charge of $3.00 per gross ton (2,240 lbs.) resulting in a rate of 13.40 cents per 100 lbs.

XXXVIII.

British Columbia Passenger Rates.

At the hearing no evidence was out in dealing with recent statistics. The information which the Board then had was not such as would warrant a general rate revision. It was, however, suggested by Counsel that the Board would not in this case be limited by the evidence already given, but would, through the usual channel, that is, its Traffic Department, obtain all further statistics and information which might be necessary to do justice to the parties.

Mr. Hardwell has obtained further data, and his report on the question is as follows:—

"The standard maximum first class one-way passenger fare west of Macleod "and Calgary is 4 cents a mile; east of those points it is 3 cents. Prior to 1901 "the rate west of Calgary was 5 cents a mile.

"By this judgment the standard maximum freight rates in British Columbia "are fixed, approximately, at 30 per cent higher than the 'Prairie' standard, "the addition representing an approach to the added cost of operation in that "province, as shown by the evidence. The higher passenger toll is, therefore, "as close to the freight differential as circumstances permit, having regard to "convenience and facility in obtaining tickets.

"Statistics before the Board show that the operating expenses per mile "of line on the British Columbia division are 22 per cent higher than the aver-"age for the entire line per mile of road, and upwards of 30 per cent higher "than the average for the prairie divisions. The operating expenses per train "mile on the British Columbia division are 54 per cent higher than for the entire "line, and 47 per cent higher than on the prairie divisions.

"Judged by these results the difference in the local passenger rate is not "even sufficient to meet the greater expenses of carrying on the traffic.

"Every class of expenditure is higher—the Maintenance of way and Struc-"tures being practically double that of the Prairie Divisions either on the mile "of road basis or per train mile. Maintenance of Equipment is only slightly "higher, but Transportation expenses are much higher, being 30 per cent "higher per train mile on the British Columbia division.

"It has been contended that the Canadian Pacific's passenger fare on "the lakes of British Columbia should be lower than on its rail lines in that "province, and under normal traffic conditions this undoubtedly should be the "case. Statistics, however, are not favorable to this proposition. Returns "for the months of January, February, March, July, August and September, "1913, show that on the Arrow, Slocan, Kootenay and Trout Lakes 30,586 "fares were collected, yielding an average of 74.3 cents per passenger; or a total "passenger revenue of $22,725.45. The facilities furnished are sufficient for "a very much greater traffic.

"For the year ending June 30th, 1913, including the rail lines west of "Kootenay Landing in the Kootenay and Boundary districts, also, in this case, "the traffic of Okanagan Lake, the total earnings were $1,468,741, and the "expenses $1,667,171; showing an actual loss to the Company on the services of "$198,430. Not only do these figures include the revenues on all freight and "passenger traffic which both originated and terminated within the Kootenay "and Boundary districts, but also the total receipts on through traffic which, "starting in those districts, was carried through to eastern destinations, and "the mileage proportion accruing to those districts on through traffic inbound. "The statistics would be more illuminating, of course, were those of the rail "and boats divided, but it appears that the Company's accounts are not kept "so as to make this segregation possible.

"Statistics furnished in a former case, that of F. W. Godsal, of Cowley, "Alta., showed that on the same lakes during July, August and September, "1909, there were sold 12,932 tickets, producing $10,691.05; an average of "82.67 cents per passenger. For the same months of 1911, the figures were "21,377 fares; earnings $15,643.60; and the average per passenger, 73.18 cents. "While, therefore, the number of passengers increased, the average amount "paid by each decreased, showing a lower average toll.

"From the evidence and statistics presented, I am of the opinion that no "action should be taken with respect to the passenger fare in British Columbia "until the traffic shows better results."

While a parity of fares throughout the whole country is desirable, the exercise of the Board's jurisdiction in reducing rates cannot proceed on the isolated

question of what would or would not be an advantageous rate to the public apart from all reference to the necessary expenses incurred in the service. While, as has already been pointed out, the method of accounting does not give British Columbia full credit for its earnings, so that in my view the deficit of $198,430 resulting from operations in the Lake and Boundary Districts would disappear, to a great extent, if not altogether, and an operating balance be shown, in any event the returns are not such as would enable the Board consistently to order any reduction in the maximum passenger toll.

The expenses here shown are those of operation and do not include any overhead expenses, such as taxes, insurance, or capital charges. All these different matters would have to be considered and fair provision made for them before any reduction could be ordered. Large improvements are now under way, the effect of which should be to reduce considerably the cost of railway operation in British Columbia for which purpose they are being made, in order that the Canadian Pacific may carry traffic on more favorable conditions compared with the low grades that the Grand Trunk Pacific and Canadian Northern will have.

While my opinion is that the reduced cost flowing from the improvements on the line of the Canadian Pacific, and the construction of competing lines at better grades, will lead to a reduction of passenger rates in the near future, the situation at present, in the light of to-day's returns and operating expenses, does not afford the slightest justification for directing a reduction in the passenger rate.

XXXIX.

While no complaints were made at any of the hearings so far as I can discover, and while counsel engaged in the public interest were of the view that the grain furtherance rates, while remunerative, were not excessive, a complaint has been made to the Board by the Honorable Mr. Amyot objecting both to these grain rates and to rates on fruit from the Okanagan, on the grounds that the charges are excessive. Mr. Amyot points out in his letter that he is cultivating an orchard in the Okanagan Valley consisting of 12 acres with trees ten years old; that his crop for the year amounted to 40 tons of fruit, which was sold to packers for 1¼ cents, ¾, and even ½ a cent a pound, that about 30 tons of peaches were still unsold, as he would have to sell them for less than $5.00 a ton; that about 18 tons of onions were rotting as it was impossible to sell them; that this condition was due to the fact that freight was a regular " hold-up "; that " MacIntosh Reds" sold at Kelowna for ¾ of a cent a pound, and in Quebec for $11.00 a barrel. Accepting Mr. Amyot's prices, and taking a barrel at its usual weight of 165 lbs., the Kelowna price is equivalent to $1.24 a barrel, so that the Quebec price is no less than $9.76 a barrel higher. Differences in prices have often been regarded as representing the freight rate. It is an easy and sometimes effective manner of accounting for largely increased prices at points more or less remote from the centre of production. Mr. Amyot blames the railway companies and the middlemen alike. The Board has, of course, nothing to do with the middlemen, and, in this particular instance, if the freight rate is reasonable, can do nothing to reduce the cost of " MacIntosh Reds " in Quebec.

Apart from the lake and rail rate, which is at certain periods of the year available, the all-rail carload freight rate on apples from Kelowna to Quebec is $1.17 per 100 lbs., or $1.93 a barrel for a haul of 2,793 miles. The railway services, therefore, only account for $1.93 out of $9.76, leaving a balance of $7.83 out of an ultimate cost of $11.00 unaccounted for either by original cost or the cost of transportation.

It may be further pointed out that apples of a good quality and in large quantity are grown in eastern Canada, and that the amount of British Columbia apples consumed in eastern Canada is not large. On the other hand a special

export all-rail rate of $1.00 is given on apples from Kelowna to either Montreal, Quebec, or St. John. In like manner, the grain rates complained of by Mr. Amyot are charged on a movement which is neither typical or economical. As Mr. Amyot points out himself,—

"I am not a farmer by profession—I simply went in there for a fancy of mine; and this is the "experience that I have acquired."

Mr. Amyot, forwarded in a Canadian Northern car 1,600 bushels of oats, 304 bushels of wheat, and 136 bushels of barley from Paynton, Sask., to Quebec, in the winter season, so that the movement was an all-rail movement. The car is described by Mr. Amyot as a large car, and would, therefore, take a minimum loading of 80,000 lbs. It was hauled by the Canadian Northern from Paynton to Port Arthur, a distance of 1,045 miles. The through rate is 49 cents. The charge by the Canadian Northern for this haul was 24 cents. The balance of the through rate, that is, 25 cents, was charged by the Canadian Pacific for the haul from Port Arthur to Quebec, a distance of 1,143 miles. The situation is somewhat parallel to the shipment of apples. Hitherto the demand for North-west wheat in Quebec for local consumption might be described as negligible, having regard to volume of business moved. The 25-cent charge, all-rail, from Fort William to Quebec, if forwarded lake and rail, and for export, would be 15½ cents as against the 25-cent all-rail rate charged for local consumption. The through rate, although for local consumption in Quebec, and a rate, therefore, that the western producer is not usually interested in, nor the consumer in Quebec—owing to the fact that eastern Canada is itself an agricultural country still producing grain—only returns 445/1000 of a cent per ton mile. I am of the opinion that the Board can make no Order on this question.

XL.

The arguments made by counsel on behalf of the railway companies were given full and careful consideration before the reductions ordered in this case were determined; but the Board was unable to follow either Mr. Phippen or Mr. Lafleur to his final conclusions.

In so far as the figures submitted by both counsel are concerned, there is no doubt that the total of invested capital is great; but the mere fact that the Grand Trunk Pacific, for example, is not now getting adequate returns on its capital, and is not at present making satisfactory profit on that part of its line where it is in full operation (say between Edmonton and Winnipeg), is not a conclusive reason why the rates should not now be revised generally, so as, if possible, to place them on a just and fair basis. The company is operating only in part; and profits earned on a part cannot be expected to carry the whole. The road is still in its constructive stage. During the discussion of the present case, it was shown that the losses for the first three years of its operation,—and while the company has been working up its business under the decisions of Commissions of American States,—should fairly be charged to capital account. Whether this is so or not, the fact that such a principle has, at least to some extent, been adopted in the past, seems to afford a very good reason why the returns of the Grand Trunk Pacific hitherto should not be taken as establishing the reasonableness or unreasonableness of rates at the present time.

To a less degree, the same may be said regarding the Canadian Northern. So far, that line has had no through business, although operating much longer than the Grand Trunk Pacific. It is constructing both to the east and to the west, and has constructed at such a rapid rate that its returns should not be taken as conclusive one way or the other in this issue.

In a word, I may say that the reductions made by this judgment are the result of the best thought and consideration which the Board has been able to

give to the situation as a whole. The Board is of the view that the serious drop in railway earnings that the past few months has shown is not a permanent condition, notwithstanding that the earnings of the Canadian Pacific for 1912 and 1913 probably represent a maximum of return, and that, just so soon as the other lines are in through operation, it will be some time before that maximum will be again reached.

The conclusions which have been arrived at represent what the Board considers a just and reasonable mean between the extremes; and it is of the opinion that the results, having regard to the railway situation in the west, are fair not only to the people but to the railway companies.

XLI.

The tariff changes herein directed to be made are to be effective not later than September 1st. It has been the earnest desire and attempt of the Board to have the changes come into force at the earliest possible moment after the issuance of the Judgment. A careful consideration of what is necessary to be done shows that these rate changes affect not only the rate situation west of Fort William and Port Arthur, but also the situation east thereof. In addition, the rates west of Fort William and Port Arthur are tied up with the rates between eastern and western Canada in so far as American rail carriers are made use of. The result is that the preparation and publication of the tariffs will take a considerable period of time, and the Board feels that this preparation and publication of tariffs cannot reasonably be expected to be completed so as to be effective any earlier than the date above fixed.

(Sgd.) H. L. DRAYTON.

OTTAWA, April 6th, 1914.

I concur
D'A. S.
J. M.
S. J. McL.
A. S. G.

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