earned out of their rates was used by the company to enable it to carry on transportation in the U. S. at less than cost. This feature of the rate situation was considered by the board in the eastern rates judgment; and, as a matter of fact, the increases there granted were not so great as they would have been had the tariff basis in the U.S. territory of the system been higher. The details of these deficits given the board by the company were filed in the eastern rates case in 1915, and related to the deficits of 1914. The net deficit then shown by the company, resulting from the operation of its U. S. subsidiaries and deducted from the net of the parent company, amounted to $1,230,448.89. I understand, however, that, with the heavier traffic brought about by the war and before the present abnormal costs obtained, the earnings of these subsidiary lines greatly improved and the parent company was practically, if not altogether, relieved of the burden of these deficits. The statutory reports so indicate. In view of the necessities of the company and the deficits of the past on the company's U.S. subsidiary lines, the board has hoped that the rate situation would improve in U. S. territory and that the company would take advantage of whatever rate increases were possible under leave of the appropriate commissions.

"The condition brought about by advanced costs would appear to be somewhat similar in the U.S. situation to that in Canada. This has been recognized by the Interstate Commerce Commission in its report to Congress based, as it is, on the financial necessities of the roads, as well as the traffic demands of the nation. The Interstate Commerce Commission has recently granted a substantial increase in connection with the very important iron and steel movement in western territory. The Interstate Commerce Commission also authorized general increases in Central Freight Association territory as far back as June 29 last. For some reason or other these were not with ordinary dispatch fully put into effect by the railway companies. This question Mr. Hardwell has had up with the companies' officials.

"Perhaps one of the most important schedules, having regard to the position of the Canadian shipper, on the one hand, and his U. S. competitor on the other, is the Detroit schedule, covering rates from Detroit to Toronto and Montreal, and the intermediate points. The Grand Trunk rates in Canada of importance in this relation are the rates from Windsor (which, of course, is a station en route) to Toronto and Montreal, and upon which the rates from all intermediate stations are scaled. The basis under which traffic has been carried since the publication of the tariff authorized in the Canadian eastern rates case and prior to the publication of those authorized in the U. S. 15% case, is shown by the following schedule:

	Class 1. Cents.	Class 2. Cents.	Class 3. Cents.	Class 4. Cents.	Class 5. Cents.
Detroit to Toronto	38	33	24	17	14
Windsor to Toronto	38	33	29	24	19
Windsor differences	0	0	+ 5	+ 7	+ 5

	Class 1. Cents.	Class 2. Cents.	Class 3. Cents.	Class 4. Cents.	Class 5. Cents.
Detroit to Montreal	61.5	53.3	41.0	28.7	24.6
Windsor to Montreal	60.0	53.0	45.0	38.0	30.0
Windsor diff'nces	— 1.5	— 0.3	+ 4.0	+ 9.3	+ 5.4

"From these schedules it will be observed that a shipper from the intermediate station, Windsor, in connection with the all important 5th class, paid 5c more than the shipper from Detroit in the foreign movement to Toronto, and for the movement to Montreal paid 5.4c more. The disparity was not as high in the past, the board having increased class rates in the eastern rates case by an addition of 2c first, scaling down to 1c, fifth class, other classes scaling proportionately. The Canadian increases were allowed owing to the financial position of the Grand Trunk, the board feeling that, although the apparent difference was great, under war conditions and the demand for all commodities the Canadian shipper would not as a matter of fact suffer. This added disability was cheerfully accepted by eastern shippers. Following the publication of the tariffs authorized in the U.S. 15% case the rate situation was as follows:

	Class 1. Cents.	Class 2. Cents.	Class 3. Cents.	Class 4. Cents.	Class 5. Cents.
Detroit to Montreal	70	61½	47	33	28
Windsor to Montreal	60	53	45	38	30
Windsor diff'nces	—10	— 8½	— 2	+ 5	+ 2

"The rates from Detroit to Toronto were not then advanced, the rates in Central Freight Association territory being still under consideration by the Interstate Commerce Commission. That commission, as previously mentioned, announced its decision on June 29, 1917, granting increases independently of the 15% previously allowed, but the railway companies, whatever the reason may have been, did not take advantage of this decision to advance the rates from Detroit to Toronto until Dec. 1. At the time of the hearing in this case, and indeed until Dec. 1, 1917, if effect were given to the application for a 15% increase, the result would have been that the rate from Detroit to Toronto, 5th class, would have been no less than 5.5 lower than the Windsor rate to Toronto, and the difference in favor of the Detroit shipper on articles moving under the 5th class into the Toronto market, as against the Windsor shipper, would have been no less than 8c. The same disability would apply proportionately to all intermediate points. The company has made it possible for the board to grant the advance without creating this discrimination against the Canadian shipper by filing, effective on Dec. 1, 1917, as already stated, its tariff increasing rates as authorized in the Central Freight Association territory. The following schedule shows the rates as they now will be under the rates from Detroit, as provided for by the company's tariff of Dec. 1, 1917, and with effect given as this judgment does, to the company's application for a 15% advance:

	Class 1. Cents.	Class 2. Cents.	Class 3. Cents.	Class 4. Cents.	Class 5. Cents.
Detroit to Toronto	50	42½	33⅓	25	17½
Windsor to Toronto	43½	38	33⅓	27½	22
Windsor dif'nces	— 6½	— 4½	0	+ 2½	+ 4

	Class 1. Cents.	Class 2. Cents.	Class 3. Cents.	Class 4. Cents.	Class 5. Cents.
Detroit to Montreal	70	61½	47	33	28
Windsor to Montreal	69	61	52	43½	34½
Windsor dif'nces	— 1	— ½	+ 5	+10½	+ 6½

"Absolute parity, of course, is not obtained. It was found impossible to obtain it in the international rate case. While the rate situation is not all that can be desired in view of the necessities of the company and the higher U. S. rate basis made effective on Dec. 1, I would allow the increase of 15% as asked subject to the exceptions herein made. Increases were sought to be made in the all rail movement from the east to the west. The increases which the companies desired were increases entirely in eastern territory. The new all rail tariff became, therefore, a matter directly affecting the eastern situation, although the movement was entirely into western territory.

"On the record these rates should be considered on a different basis. The companies have already obtained a substantial increase, the 1st class all rail basing rate to Fort William being advanced from 75c to 81c, other classes scaling in proportion. The resultant increase of 6c on 5th class makes an average increase of under 6½% in the five classes of general merchandise; 15% on top of that would make an average increase of approximately 21½%. In view of the manner in which the through tariffs from eastern to western Canada are built up on the combination of the rates current from Port Arthur and Fort William west, and certain arbitrary rates from the eastern shipping points to Port Arthur and Fort Wililam produced to a great extent by the summer competition of the lake and rail route; and in view also of the fact that the rates to different points in western territory have been constructed on the whole result thus obtained, it is obvious that an interference of a different percentage as applied to the whole might work changes in the relative rate bases of different distributing centres in western territory. This, of course, ought not to be done. Much trouble has been taken in the past to arrive at a fair basis of rates as between different districts and to maintain a rate situation of justice from different western distributing points. The matter was referred to the board's Chief Traffic Officer, Mr. Hardwell, to work out the effect of any change in percentages upon the whole district. This has necessitated Mr. Hardwell making up a very large number of rates and putting in much labor in comparing the rates in different sections of the country. His report is as follows:

" 'A close examination of the rate situation as it affects freight traffic between eastern and western Canada has convinced me that whether the proposal to allow an increase of 10% be sufficient or insufficient for railway needs, it is illogical, and would also upset the system that has always existed of basing the through rates on Fort William. The board recently granted increases in the proportionals for Fort William only:

1st class, from 75 cents to 81 cents.
5th class, from 31 cents to 33 cents.

" 'The proposal to accept an increase of 15% in the local tariffs west of Lake Superior, would include the tariff from Fort William; therefore, the rates from Fort William to Winnipeg, for example, would advance as follows:

1st class, from 85 cents to 98 cents.
5th class, from 38 cents to 43½ cents.

" 'The suggestion of an increase of 10% from Toronto and Montreal to Winnipeg would result as follows:

1st class, from 1.66 to 1.82½ cents.
5th class, from 0.71 to 0.78 cents.

" 'Deducting from these proposed through rates the increased rates from Fort William would leave the eastern proportionals as follows:

1st class, 84½c instead of 81c = 104.2%
5th class, 34½c instead of 33c = 104.4%

" 'Therefore, the proportionals recently