tain rates, or, more properly, to abolish the wide difference between 1st & 2nd class fares. It was suggested by the C.P. that the real object was to advertise the new route. However that may have been, it is certain that the G.N. signalized its advent into the trans-continental family by a reduction of fares from St. Paul to Puget Sound points to $25 1st class & $18 2nd class, the regular tariff rates then being $60 1st class & $40 2nd class.

Just how long the condition of things thus induced continued & just how it was finally adjusted does not very clearly appear from the testimony. Up to this time the only connection of the C.P. to Seattle, Tacoma & points south had been by water from Vancouver. That Company was anxious to secure an all-rail connection to these points. By an agreement dated Feb. 1, 1894, between the G.N. & the C.P., it was stipulated, in consideration that the C.P. be given train service into Seattle & thence to Tacoma & Portland, that it should waive its claim to a differential as against the G.N. through the St. Paul gate-way, & that it should also give the G.N. certain facilities in the way of train service to Vancouver. This agreement was to continue in force for 1 year & until 90 days' notice thereafter. It did not appear that either party had given the required notice. We were of the impression that a similar agreement was executed about the same time between the N.P. & the C.P., but a hurried examination of the record does not disclose this.

In the latter part of 1895, the 2nd Trans-Continental Association was formed, to which the 3 trans-continental lines above named were parties. In connection with this Association, carrying out the provision in the G.N. agreement, it was provided that the C.P. differential through the St. Paul gateway should be abolished, & that it should be allowed a differential only upon business through its Port Arthur gateway. The amount of this differential seems also to have been adjusted, being reduced from $10 to $7.50, 1st class, & continued at $5, 2nd class.

In consequence of the decision of the Supreme Court of the U.S. in what is known as the Trans-Missouri case, the Trans-Continental Association was dissolved in 1897. At this time the differential rates of the C.P. were in force, as above stated, with the consent of the American lines. The American lines insist that with the dissolution of that Association all agreements growing out of it fell; & that the agreement granting the C.P. a differential thereby terminated. This is probably in no wise material. All these agreements may have been in violation of law from the first. However this may be, the published rates by the different lines allowed the C.P. this differential. The testimony before us showed that not long after the dissolution of the Trans-Continental Association the G.N. & N.P. companies determined that they would no longer submit to it. In this view they made some effort to induce their eastern connections to put in rates ignoring that differential. Those lines, fearing evidently the rate disturbances which would result, declined to do so. It is equally evident that the G.N. & N.P. did not care to assume the entire burden of the contest by openly reducing rates west from St. Paul themselves. Instead of making an open reduction in their published tariffs, therefore, they effected a reduction in their actual fares by selling tickets for less than the published rate. To use the phrase of the General Passenger Agent of the G.N., the rates of the C. P. were met "in our own office." The method by which it was done in the office seems to have been by the payment of excessive commissions. Trans-Continental tickets are largely sold by agents of the western lines in the East, the compensation of the agent being in the form of commission upon the ticket sold. These commissions were very much increased with the expectation that the agent would divide his commission with the purchaser; that is, the railway expected & understood that this ticket would be sold by its agent for less than the published rate.

About this time, the latter part of 1897, mining operations in the Klondike began to attract a considerable volume of traffic to Puget Sound points. The C.P., claiming that it was not obtaining a fair share of this traffic, at once proceeded to inquire into the cause of it. It caused to be bought in various parts of the territory in question tickets via the American lines & their connection, the G.T.R. of Canada, not only of agents, but over the counters of some of the Eastern connections of these roads. These tickets were bought at from $10 to $15 below the tariff rate, & in some instances even more.

Mr. McNicoll testified that the C.P.R. in this contest for business did not depart from the published rate to his knowledge, & further testified that the reduction in the open rate by his Co. was induced solely by the secret acts of his competitors. Upon the other hand, the American lines, while claiming that the C.P. had not uniformly observed tariff rates, asserted that the insistence of that line upon the differential in question was the real cause of the controversy, & that specific instances of rate-cutting were immaterial for the purposes of this investigation.

This reduction was, of course, made with a view to finally obtaining a restoration of normal conditions, & efforts were at once begun, & seem to have been continued by all parties interested, to bring about some adjustment. The C.P. at first refused to consider the question with the American lines until rates had been restored to what they were before the reduction. This the American lines declined to do, for the reason that the C.P. would thereby enjoy the benefit of this differential, & would obtain an undue share of the heavy Klondike business which was then moving. Subsequently, the C.P. Co. expressed a willingness to submit to disinterested arbitration all matters at variance between the parties. To this all the American lines seem to have assented at first, except the G.N.R. Co. That Co. insists that the C.P. is not entitled to a differential, & declines to submit that question to arbitration or to consider any compromise of these differences which involve the granting of a differential. The other American lines seem for the most part to have come to the same way of thinking.

A good deal of bitterness was exhibited between the parties upon the hearing. The conduct of the C.P. was characterized by the American lines in the strongest terms as unreasonable & unjustifiable. It was alleged that this foreign road, having in its power to inflict almost untold damage upon its American rivals, had extorted without reason the allowance of this differential.

We are unable to find in the testimony anything outrageous in the conduct of the Canadian road in this matter. It may have originally used its power to inflict injury as a means of obtaining the allowance of this differential, & if it did, that is precisely what, in a greater or less degree, every road which obtains a differential, or an advantage in the shape of a differential, does. Possibly its power to inflict injury without corresponding injury to itself may have been exceptional.

(1) There may be reasons why this particular differential ought never to have been granted, but if the differential principle is to be admitted at all, it can hardly be said that the claim to one when originally made by the C.P. was utterly without foundation. In insisting upon it, that Company was simply claiming what numerous American lines had claimed, & what many of them were enjoying. We find nothing in the negotiations which led to the re-adjustment of that differential in 1895, which savors of undue constraint upon the part of the C.P. Coming down to last Feb., whatever motive may have influenced this road in openly reducing its rates, it is difficult to see what better course it could take in view of existing conditions. The G.N. & N.P., its chief competitors, in wilful violation of the law which they are required to obey, had not only abolished the differential, but were taking, in some instances at least, a substantial differential for themselves. The C.P. claims that as a result of these practices, business was unduly diverted from its route. Ought that Co. to have indulged in similar practices? Obviously not. If the American lines deemed the differential unwarranted they should have published a rate which ignored it.

(2) Neither do we see anything radically unfair in the present attitude of the C. P. to this question. A recognized method of settling differences between competing lines is by arbitration, & the articles of many railway associations provide for such arbitration. When, therefore, the Canadian road proposes to submit to the final determination of one or more disinterested persons the adjustment of these matters in difference with its American competitors its position is instinctively felt to be a fair one. It may be wrong in its contention, but it can hardly be said to use the methods of the highwayman in enforcing that contention.

This is not intended & must not be taken as a criticism upon the attitude of the G.N. road in refusing to arbitrate. Whether a particular controversy shall or shall not be submitted to arbitration is a question for the parties interested. The G.N. Co. insists that there is at the bottom of this controversy a principle which, in justice to itself, it ought not to sacrifice, & which it will not sacrifice. It declares that the granting of this differential to this foreign corporation under the circumstances is wrong, & it prefers to establish that principle once for all, no matter how great the cost may be.

The relation of the Commission to the controversy would seem, therefore, to be this: Since both parties refuse to yield the contest may be indefinitely prolonged. In this contest we were asked to render substantial aid to the American lines by granting a suspension of the 4th section. Whether such aid shall continue to be granted is an important question. Ordinarily a suspension of the 4th section applies to comparatively limited territory. In this case it of necessity covers a vast extent of country. By granting it we suspend as to a considerable portion of the U.S. an essential feature of the Interstate Commerce Law, & we permit the very discriminations which that law was intended to prevent. We have no hesitation as to the propriety of what has already been done, but when it becomes evident that this condition of things may be indefinitely prolonged, we feel that we ought to rest our action upon substantial ground. If we are of the opinion that the C.P. is wrong in its demand for a differential, however fair in its enforcement of that demand, it will probably be our duty to continue this relief to the American lines. Upon the other hand, if we believe that the G.N. and its American supporters are clearly wrong in their position, this will have an immediate bearing upon our action. We are brought, therefore, to consider this claim of the C.P. to the differential, & it should be observed that this is, & all along has been, the real source of contention between these parties. While it is probably true that a desire to obtain a share of the Klondike business may have led to much of the rate cutting, which in its turn produced the present demoralization, it is also true that the underlying question is the differential, & that if this were finally disposed of, there would be no serious difficulty in the immediate restoration of rates.

This question was referred to by the Com-