

36. We give the reasons for our recommendation that one of the Trustees shall be appointed on the ground of his possessing the confidence of the railway employees.

37. We recommend the transfer to the Trustees of the common stocks of the Canadian Northern, Grand Trunk and Grand Trunk Pacific, subject to certain conditions and reservations made hereafter.

38. We recommend the transfer to the Trustees of the Intercolonial and National Transcontinental Railways for reasons which we give hereafter.

39. We deal with the question of the compensation to Canadian Northern shareholders. We find the charge that Messrs. Mackenzie and Mann have misappropriated public moneys unfounded. We find that the Canadian Northern shareholders possess a system of which the lines are well located and economically constructed, and that they have raised the necessary money with considerable financial skill and at moderate rates of interest, but that they erred in unwisely duplicating lines and reaching out into unremunerative territory.

40. We recommend that the question be considered whether Canadian Northern shareholders shall be permitted to retain a moderate proportion of the \$60,000,000 shares which they now hold; that the precise proportion, if any, and the relation of that proportion to their share of any future profits of the Dominion Railway Company, be fixed by arbitration.

41. We recommend that the entire share capital of the Grand Trunk, guaranteed, preference and ordinary, be surrendered to the Trustees in exchange for an annuity based on a moderate but substantial proportion of \$3,600,000, the average sum paid as dividend in the last ten years; and that this annuity should increase by 40 or 50 per cent. after the first seven years.

42. We recommend that the precise figure be fixed by agreement, and that it be left to the directors of the Grand Trunk Company (1) to apportion the annuity among the five classes of Grand Trunk shareholders, and (2) to procure such assents of their shareholders as are legally required to complete the transfer.

43. We give reasons for considering that this recommendation is generous to the Grand Trunk shareholders, and why the shareholders in their own interest will do well to accept it.

44. We recommend the transfer to the Trustees of the National Transcontinental, in order that it may take the place it was built to take as part of a great inter-ocean highway, and because its financial position would be hopeless if it terminated in a dead end at Winnipeg.

45. We recommend the transfer of the Intercolonial: (1) in the interest of the Maritime Provinces, to whom the Intercolonial at present can only give a local service with no adequate terminals beyond Montreal; (2) in the interest of the taxpayer, who has a right to demand efficient and economical expenditure of his money; (3) in the interest of the railway staff, who will secure the wider opportunities of a great system.

46. We recommend that in future the Intercolonial be required to pay local taxes on the same basis as the other railways; and that the inhabitants on the line receive statutory protection against increase of local railway rates.

47. We make recommendations as to (1) non-railway property of the transferred undertakings, (2) getting in minority holdings of shares and outstanding titles to land, (3) arrangement with the holders of Canadian Northern 5 per cent. convertible income debentures.

48. We deal with the legal position of the Trustees; and point out that the Canadian Northern, Grand Trunk and Grand Trunk Pacific companies will continue to exist; and that consequently the rights of their security holders will remain undisturbed.

49. We recommend that the Trustees take over each railway as soon as the transfer can be effected, with the purpose of ultimately operating them all as a single unified system.

50. We deal with the finances of the Dominion Railway Company and point out that the Intercolonial, with no bonded indebtedness, has a considerable net revenue, and offers security on which new capital can be raised. We recommend the creation of a general and refunding mortgage of unlimited amount, to be issued as required.

51. We recommend that the Act of Parliament provide that the operation of the company shall be on a commercial basis, and that the Trustees make no general reduction in rates until the property earns a reasonable net return.

52. We recommend that there be given to the Trustees the widest powers in the management of their property.

53. We have endeavored to estimate the annual liability of the Government to meet interest unearned during the first few years of the new scheme, and we put it at about \$12,500,000 per annum. We think this amount should diminish steadily but not slowly; and that with proper economic and politically undisturbed management the attainment of a satisfactory financial result is only a question of time.

54. We give specimens of the large economies which should result from combined operation.

55. We recommend the enlargement of the functions of the Railway Commission; that it have jurisdiction over all Dominion Railways; and report to Parliament on all proposed grants of charters, subsidies, and guarantees.

56. We deal with the conflict of Dominion and Provincial jurisdictions. We recommend that, to prevent this in future, the Governor-in-Council should in certain cases disallow Provincial Acts, and that no railway company should operate under both Dominion and Provincial charters.

57. We recommend that there be a continuous public audit of the Dominion Railway accounts, and that full and comprehensive reports be made annually to Parliament.

58. We recommend the establishment of Railway Councils to bring together the railway management and representatives of public interests.

59. We point out that the existing railways are in excess of public requirements and show how much traffic is required to make a railway profitable.

60. We show that the cost of hauling grain to the station is sometimes as great as that of carriage from the station to Liverpool, and recommend that the question of highway improvement and motor haulage be taken into consideration.

61. We recommend that future expenditures on the Hudson Bay Railway be reduced to the lowest possible amount.

62. We point out that railway rates are much more likely to rise than to fall in the immediate future.

63. And finally, we lay stress on the necessity for immediate action lest Canada should suffer from railway congestion even worse than that of the past winter.