

Vacancies among the trustees shall be filled from a panel of eight named by the remaining trustees.

204. One of the trustees should be named as chairman at the date of his appointment with tenure of office seven years. The terms of the remaining trustees should, in order to prevent them expiring on the same date with each other, or on the same date as that of the chairman, be for differing periods of less than seven years, to be fixed in each case in the Order in Council making the appointment. All trustees should be eligible for re-election. All should be persons of proved business skill and capacity; the chairman in particular should have financial, administrative, and executive ability of a high order. On the points of integrity and ability involved in these qualifications, there should be no possibility of doubt in the case of any appointee. The chairman should give his whole time to the duties of his office. All trustees should be paid adequately, the chairman in particular should receive a salary commensurate with the high responsibility with which he is charged, and the special qualifications he must be assumed to possess.

A majority of the trustees should govern its decisions, subject to this qualification that the chairman must be a member of any majority.

### III. BUDGET REQUIREMENTS OF SYSTEM

205. The annual budget of the railway should be under the control of the trustees. Amounts required for income deficits, including interest on railway obligations, for capital and for refunding, should first be submitted to the Treasury Board for its approval and presentation to Parliament by the Minister of Finance.

206. Since the debt of the System in the hands of the public is now very large and more than the railway can carry from its earnings even under improved conditions, sums which are required to meet deficits ~~should be voted by Parliament annually~~ and not raised by the issue of railway securities as has been done in recent years. This recommendation does not apply to capital for improvements and betterments nor to amounts required for refunding.

### IV. ANNUAL REPORT TO PARLIAMENT

207. A report to Parliament by the trustees should be made annually, and should set forth in a summary way the results of operations and the amounts expended on capital account, brought into comparison with the appropriations made by Parliament, so that the exact position shall be placed before Parliament. There should also be provision against utilizing appropriations for capital account to cover deficits in operation, or for interest, without the express authority of Parliament.

### V. AUDIT

208. A continuous audit of the accounts of the System should be made by independent auditors appointed by Parliament from a list or panel drawn up by the trustees and they should make a report to Parliament, calling attention to any matters which in their opinion call for remark. In view of the report of the auditors no examination of the detailed accounts of the System should be necessary by a parliamentary committee. For the purpose of supplying necessary information to Parliament the attendance of the trustees might be necessary. In the interests of discipline and to prevent prejudice to the relations that should prevail between trustees and the staff, we earnestly recommend that the officials of the company in charge of operations should not be asked to appear for examination.

### VI. CHIEF OPERATING OFFICER

209. While the responsibility for the direction and control of the System should be laid upon the chairman and his associate trustees, provision should be made for the post of Chief Operating Officer, with the titular rank of President. Under his care should be placed the entire working of the railway in detail. The exact extent of his authority should be covered by regulations or by-laws to be made by the trustees.

The President should be appointed by the trustees and should be responsible to them and not directly to the Government or Parliament.

### VII. CO-OPERATION BETWEEN THE RAILWAYS

210. We have emphasized the fact that a principal weakness of the past decade has been the failure of the railways to act together in their own interests and in the interests of the public. It is not enough that each should take all practicable measures of economy in respect of its own system. There must be joint action with a view to savings in the wider sphere.

211. A statutory duty should be imposed upon the trustees as well as upon the Board of Directors of the Canadian Pacific Railway that, consistently with the provisions of the existing law and with the recommendations of this report and with the provision of all reasonable services and facilities, they should adopt as soon as practicable such co-operative measures, plans and arrangements as shall, consistent with the proper handling of traffic, be best adapted to the removal of unnecessary or wasteful services or practices, to the avoidance of unwarranted duplication in services of facilities, and to the joint use and operation of all such properties as may conveniently and without undue detriment to either party, be so used.

### VIII. CONFERENCE BETWEEN BOARDS

212. In order effectively to carry out the injunction to co-operate, the Board of Trustees of the Canadian National Railways and an equal number of directors of the Canadian Pacific Railway shall meet at regular intervals for the purpose of discussing and agreeing in respect of matters referred to in the previous paragraphs. In the event of a failure to agree, there may be an immediate reference to the Arbitral Tribunal provided for in the next succeeding paragraph.

### IX. CONSTITUTION OF THE ARBITRAL TRIBUNAL

213. For the purpose of settling disputes and in particular, disputes concerning the desirability of any co-operative measures or arrangements or course of action and for the settling of details of any scheme giving effect thereto and for determining the conditions thereof, an Arbitral Tribunal should be set up for each occasion. The Arbitral Tribunal should be composed, first, of the Chief Commissioner of the Board of Railway Commissioners and second, of one representative from each of the two railways.

At the request of either railway and upon it being shown to the President of the Exchequer Court of Canada that the matter is of major importance, two additional members may be appointed by him to the Arbitral Tribunal for the occasion.

214. Where the execution of an order involves the doing of any act which by an existing statute requires the assent or approval of the Board of Railway Commissioners or where in the opinion of the Chief Commissioner himself the