

May 10, 1917.

rests mainly with the Government, but that for the Grand Trunk Pacific proper belongs primarily to the Grand Trunk. The Government has voluntarily relieved the Grand Trunk of all responsibility for the National Transcontinental. In respect to the Grand Trunk Pacific proper the Government is fully entitled, morally as well as legally, to call upon the Grand Trunk Company to fulfil its contract.

10. The Grand Trunk Company proper has made unjustifiable charges to capital. Its lines have not been adequately maintained. More than \$21,000,000, which ought to have been spent on maintenance in past years, has not been spent. New capital expenditure of over \$30,000,000 is immediately required. The country is suffering from the company's inability to give adequate service. The Grand Trunk Railway ought to be managed in Canada, and not from London.

11. We recommend that the control both of the Grand Trunk Pacific and of the Grand Trunk be assumed by the people of Canada on terms hereafter set out.

12. The Canadian Northern has been financed mainly by the issue of guaranteed securities. Till 1914 it met the interest from its own resources. Since that date the Government has assumed very heavy obligations on behalf of the company. There is little prospect that the company would be able in the near future to relieve the Government of these obligations.

13. The company's estimate of its future capital requirements is too low; and its estimates of probable growth of earnings have been and still are unduly sanguine.

14. We estimate that as a separate undertaking it would require fully \$70,000,000 of new capital within the next five years.

15. We do not recommend that further public aid be given to the Canadian Northern as at present constituted.

16. The Canadian Northern common stock represents no cash investment, and has no present value, either on the basis of the cost of reproduction of the property or on the basis of its earning power.

17. We recommend that the public take control of the Canadian Northern Company on terms hereafter set out.

18. On the assumption that the people of Canada take control of the Grand Trunk, Grand Trunk Pacific and Canadian Northern, we consider possible methods of management and operation.

19. We do not consider that operation by a minister directly responsible to Parliament would be in the public interest. It would not secure better service or lower rates.

20. If the Government operated these three railways, it would be bound in fairness to the Canadian Pacific shareholders to take over their railway also. The Canadian Pacific gives good service and should not be interfered with.

21. Special objections to direct Government ownership and operation are:—

(1) That Canadian railways operate more than seven thousand miles of line subject to the foreign jurisdiction of the United States;

(2) That the Canadian Government resources are required for war purposes.

22. We, therefore, reject the idea of direct Government ownership and operation.

23. We do not recommend that the Grand Trunk, Grand Trunk Pacific and Canadian Northern Companies be allowed to go into the hands of a receiver.

24. We recommend that the control of these three companies be transferred to a new body.

25. We have discussed and rejected the following suggestions:—

Transfer of all three railways to the Canadian Pacific.
Transfer of the Canadian Northern or a portion of it to the Canadian Pacific.

26. There is no possibility of forming a new commercial company to take over the three railways. Neither the Mexican precedent, under which the Government becomes a majority shareholder, nor the New York Subway precedent, under which the public authority shares the profits with the private shareholder, is applicable to this case.

27. Having come to the conclusion that direct ownership and operation by the Government is to be avoided, and that ownership and operation by a commercial company is not possible, we recommend that a new public authority, a Board of Trustees, be incorporated by Act of Parliament as the "Dominion Railway Company"; and that the Canadian Northern, Grand Trunk and Grand Trunk Pacific be transferred to this body.

28. We recommend that the Government assume responsibility to the Dominion Railway Company for the interest on the existing securities of the transferred companies.

29. We recommend that the Intercolonial and National Transcontinental be also transferred to the Dominion Railway Company for reasons which we give hereafter.

30. We recommend that the whole of the Dominion Railways be operated by the Trustees as one united system, on a commercial basis, under their own politically undisturbed management, on account of, and for the benefit of, the people of Canada.

31. We recommend that there be five Trustees, three railway members, one member selected on the ground of business and financial experience, and one as specially possessing the confidence of railway employees; that the original Trustees be named in the Act constituting the Board; and that their tenure of office be substantially the same as that of judges of the Supreme Court.

32. We recommend that the original Trustees retire after three, four, five, six, seven years, respectively, according to a prescribed scheme; that they be eligible for reappointment; and that all appointments subsequent to the original statutory appointments be by the Governor-General-in-Council on the nomination of the Trustees themselves.

33. We lay stress on the importance of the Board being non-political, permanent, and self-perpetuating; and in this connection point to the experience of the Australian State Railways.

34. We give reasons for concluding that railways are not a proper subject for direct parliamentary control. We point to a general tendency in modern democracies to withdraw certain subjects from this control. And we show that under parliamentary control the general interest of the whole community tends to be subordinated to the particular local and individual interests.

35. We recommend that the authority of the Railway Commission be extended to include the Dominion Railway Company's system.