

of purchases, and your Committee earnestly recommend that immediate steps be taken by the Board to give effect to the principles underlying this recommendation.

10. *The President's Residence.*

Your Committee had under consideration the fact that on the eighth of August, 1930, pursuant to a Resolution of the Board of Directors passed on September 23rd, 1929, the residence No. 1415 Pine Avenue, Montreal, was leased by the Railway Company for a period of ten years, as a residence for the President at an annual cost closely approximating \$20,000.

Having regard to all the evidence adduced and having special regard to the President's contract of engagement, dated September 23, 1929, as ratified and confirmed by his contract with the Government dated October 25, 1929, whereby the President agreed to serve as President and Chairman of the Company including the various constituent and subsidiary Companies comprising the system, and for the full and entire services to be performed from time to time for the fixed annual salary of \$75,000, without any extra fees or remuneration of any description, and in addition, but subject to the bylaws, rules and regulations applicable, all reasonable out-of-pocket expenses incurred in connection with the duties of his office or offices, your Committee are of opinion that the leasing of the residence appears to your Committee to be in contravention of the Contract of Engagement and even if legal was unwise and should not have been authorized.

The whole transaction in the opinion of your Committee was a successful attempt by the Board of Directors to do indirectly what could not be done directly by expenditure on capital account, namely, to procure a residence for the President free of rent, taxes and repairs, and your Committee consider that the action of the Board of Directors in this regard indicates that while they may not have exceeded their legal powers they did not exercise that degree of prudence, care and judgment requisite in the premises.

Your Committee recommend that the whole transaction be reviewed and investigated by the Directors, with a view to ascertaining its legality, and if possible obtaining its rescission.

11. *Off-Line Offices in the United States.*

In recent years a large number of Off-Line passenger and freight offices have been established in leading cities of the United States, with a view to obtaining traffic for both branches of the service.

Data received with respect to the expenses of and gross receipts from all such offices shews that results have been fairly satisfactory with respect to freight traffic but with respect to passenger traffic the results achieved so far have not been commensurate with the cost.

Your Committee investigated with some care the situation with respect to the New York passenger office now located at 673 Fifth Avenue. The initial cost of acquiring these premises and of alterations amounted to the sum of \$429,223.05, and the annual cost of operation including the rental of the premises 505 Fifth Avenue formerly occupied as passenger offices and which are still under lease and at present unoccupied, is now \$252,902. The gross amount of passenger traffic sold in 1931 was \$502,353, including transportation sold on other lines.

Your Committee recommend that the whole question of the New York and other Off-Line passenger offices should be carefully reviewed by the Management in conjunction with the Board of Directors.