

REPORT OF COMMISSIONERS

in re

JOINT TOWNSITES

.....

December, 1900.

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Department of the Interior,

Ottawa, 6th December, 1900.

Sir,

The undersigned have the honour to report on the result of their investigation into matters in connection with the administration and sale of lots in the townsites of Virden, Qu'Appelle, Regina and Moosejaw, made under authority of a Commission issued by the Governor General-in-Council, dated June 19th, 1900, a copy of which is attached hereto.

Briefly stated, in the spring of 1882, the Minister of the Interior entered into an agreement with the Canadian Pacific Railway Company, first by correspondence, and afterwards confirmed by document in legal form, whereby the Dominion Government and the Company each contributed an equal area of land to constitute the above named townsites, which were to be laid out in town lots and sold, and an equal division made of the proceeds.

The surveys were completed that same year, when the lots were offered for sale, first, under the management of the Land Commissioner of the Canadian Pacific Railway Company, at Winnipeg, and afterwards by Trustees appointed by the Trust Deed which was executed by the Government of Canada and the Canadian Pacific Railway Company on October 29th, 1883.

Under this agreement, which contains provisions for the management of the townsites, the following gentlemen were named as Trustees, namely:- R. B. Angus, Sir Donald A. Smith, E. F. Osler and W. B. Searth.

It might be well to state that a previous agreement had been entered into between the Canadian Pacific Railway Company and the Canada North West Land Company

(Ltd.)

Hon. Clifford Sifton,

Minister of the Interior,

Ottawa.

(Ltd), providing for the holding, administering, and selling the property in all the townsites of the former Company, whereby each Company ^{was} were to hold a one half interest in the proceeds of sales.

In view of this agreement the interests of each of the two Companies named in the four townsites already named was one quarter, the Government holding the other half.

Although there were four Trustees appointed, only two appear to have taken an active part in the conduct of the business, viz:- Mr. E. B. Osler and Mr. W. B. Searth, who assumed to act jointly as Managing Trustees for a portion of the time; and afterwards, when the business was transferred from Toronto to Winnipeg in the year 1884, Mr. Searth would appear to have been given the sole management, excepting that under the agreement it became necessary that documents for registration should be signed by two of the Trustees, which was almost invariably done by the gentlemen named.

..... Agreement.

The agreement made between the Government and the Canadian Pacific Railway Company for the management of the townsites provides, in general, as follows:-

- (1) That certain lands shall constitute the respective townsites.
- (2) For the laying out of town lots, streets, squares and certain reserves, and appropriations for public and other purposes.
- (3) That the Government shall have the right to take whatever land may be required for sites for Government or other public offices and buildings, and the Company shall have what land is necessary for its station

buildings

buildings and offices, and other works for railway purposes.

(4) That the Trustees shall have power to fix the price and consideration, and the terms of payment under which town lots should be sold, and shall, after deducting from the gross proceeds of the sales of such lots such sums of money as shall have been lawfully expended by the said Trustees "in the promotion, encouragement and establishment of the towns, and also in laying out, administration and sale of lots," pay over, every half year, one half of the net proceeds to the Government, and one half to the Company, such division and payment to be made on the 1st day of July and 1st day of January in each and every year.

A further provision of the agreement is the guarantee made by the Canadian Pacific Railway Company for the protection of the Government in default of the Trustees performing their obligations and duties, and faithfully administering their trust as provided in the agreement.

Townsites.

The agreement provided that each interest shall contribute an equal area of land to constitute the townsites. So far as it related to those of Qu'Appelle, Regina and Moosejaw, this was carried out. In the case of Virden there would appear to have been a different arrangement. The townsite was placed on Section 22, Township 10, Range 26, West of the first Meridian, which was Government land. At the time, the South half of this Section was held by T.M.Daly, Junior, under homestead and pre-emption entry, and the North West quarter by Mrs. Susannah Willis, as a homestead, and the North East quarter under

reserves.

Reserve by the Government for timber purposes. The entries of Mr. Daly and Mrs. Willis were cancelled by the Department; in the case of the first named, at his own request, and in that of the latter, for non-fulfilment of the homestead conditions. The whole section thus reverted to the full possession of the Crown.

According to the books of the Trustees this land was purchased from the Canadian Pacific Railway Company for \$6,400, the amount being charged in such a manner as that the Government was made to pay one half this sum.

It came out in the evidence that the Canadian Pacific Railway Company paid Mr. Daly the above sum (viz. \$6,400) or at the rate of \$20.00 an acre, for his rights to the South half of Section 22-containing 320 acres. As a matter of fact Mr. Daly had no rights to dispose of; he never went into residence on the land, nor had he, as far as can be ascertained, made any improvements thereon.

The agreement of 29th October, 1883, refers to this section (constituting the Townsite of Virden) as belonging to Her Majesty. How the Canadian Pacific Railway Company became half owner in the proceeds of the sales in this Townsite, without having paid the Government for one half of the land, is a point that your Commissioners have not been able to ascertain. In any case the Government should not have been charged with any share of the money alleged to have been paid to Mr. Daly for the South half of the section, when it contributed to the North half. Your Commissioners are of the opinion, therefore, that the Government is entitled to receive credit for \$3,200, the amount charged to it on account of this Townsite.

Administration.

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The accounts in the books of the Trustees show transactions to have been carried out by them which, it is thought, they had no authority to undertake under the provisions of the agreement. Those of material importance are as follows:-

- (1) The erection of a large building in the town of Regina, for stores and offices.

- (2) The loaning and investing of Trust monies.
- (3) The refunding of money to cash purchasers after sales had been completed.
- (4) The debiting of certain amounts on account of expenses of management direct to the Government, which should have been made a charge to joint account.

Regina Building

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The erection of this building was begun in the year 1882, by the Canada North West Land Company, by contract let in their name. Payment therefor, was made out of the proceeds from the sale of town lots, and charged to the joint interests. It has not been discovered how the Government was brought into this transaction. The building was erected for stores and offices, as a speculation, and was started a year before the Government entered into the agreement of 29th October, 1883; and there is no provision, it is thought, in that agreement empowering the Trustees to erect such a building. The amount paid to the contractors therefor was \$13,960.. This sum, together with the architect's fees, etc. brought the cost up to \$15,085.20. Subsequently certain repairs were made which brought its total cost to \$15,209.20.

Owing to the failure of the contractors, delay in the completion of the building took place, and it appears not to have been ready for occupancy until the month of June, 1884, when it was in part rented to the Government, for Court House purposes, at a rental of \$1200 per annum. From 1887 to 30th November, 1892, the building seems to have been occupied entirely by the Government, the rental charged being at the rate of \$200 per month, or \$2,400 per annum.

About the date last mentioned - November 1892, the Government appears to have purchased the building, the

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amount charged for it by the Trustees being \$16,000. The sale included the value of the lots on which the building stood, and those adjoining - required in connection therewith, the value of which was placed at about \$750.

Although the agreement provided that the Government was entitled to have free of charge any lots required in connection with public buildings, the Trustees declined to convey those in question without being paid therefor.

So far as the Commissioners could ascertain, no valuation of this property was made by the Government at the time it was purchased. The evidence, however, of Mr. Mollard, Mayor of Regina, who is a practical builder and contractor, and resident of that place since the beginning of 1883, shows that the difference in the cost of building in 1882 and 1883, when this building was being erected, and in 1892, when it was sold, would be one third less. This would indicate that the Government paid four or five thousand dollars more for the building than it could have been erected for at the time of purchase. The evidence of Mr.

(See evidence) Mollard also shows that during the time this building was
 (Scarth p. 217)
 Mollard* 166 } rented to the Government, 10 per cent on an investment was
 considered a fair charge for rental, in Regina. The
 amount charged, however, placing the value of the building
 at say \$15,000, was over 16 per cent, as from the 1st June,
 1884, to 30th November, 1892, the Government paid a total
 rental of \$17,435. (See accompanying statements pages 275
 and 300). This would show an excessive rent charged for
 the building of between \$6,000 and \$7,000, during that period.

It might be added that according to the books of the Trustees the building stood therein as an asset, at time of sale, at \$12,000. This would coincide with the statement made by Mr. Mollard as to the value of the building when sold.

As regards the purchase of this building the Com-

Commissioners are at a loss to definitely arrive at the Government's position in the matter, in view of the fact that the records of the Public Works Department which might have had reference thereto, are reported to have been destroyed in the fire in the Western Block of the Parliament Buildings in 1897.

It would seem fair and reasonable, if the Government undertook to relieve the Trustees of all responsibility in connection with this building at its full cost, that it should be done in such a way that the Trustees would be allowed a fair interest - say 6 per cent - on the money invested therein, during the time they owned the building, so that no loss might be sustained to the Trust.

That the Trustees should make such an enormous profit out of the Government would seem most improper. There would appear to be no doubt that, had the building not been rented to the Government, the investment would have resulted in very serious loss to the Trustees; and as there is no doubt they exceeded their authority in the erection of the building, a responsibility would be attached to them in connection with it. Admitting the investment to have been a proper one, and returning an interest of say 6 per cent during the time the building was owned by the Trustees, the Government should not have been called upon to pay more as purchase money and in rentals than \$22,500 for the property, whereas it was charged no less than \$33,435 for it, showing an excess profit to the Trustees, after deducting \$1100 paid for fire insurance, of about \$10,000.

Loans and Investments from Trust Funds.

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The Commissioners find that the Trustees made certain advances from Trust moneys as follows, -

N.F. Davin

N. F. Davin	\$2,455.00
Judge Richardson, Regina	2,000.00
South Qu'Appelle Building Soc-	300.00
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Davin Loan.

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With respect to the loan to Mr. Davin, this money was paid in connection with a certain mortgage, dated 18th December 1882, given by Mr. Davin to Messrs. Miller & Richard, Type Founders, Toronto, for plant and material purchased from them to establish a newspaper in Regina. Mr. Davin, having failed to meet his obligations therein to the firm named, and being pressed for payment, Mr. W. B. Scarth obtained for him an extension of time by giving his personal undertaking in the shape of a bond to pay the sum owing, provided Mr. Davin failed to do so. Mr. Scarth at the same time took from Mr. Davin a mortgage dated 21st June, 1883, covering certain lots, which had been given to him by the Trustees as a bonus in connection with the establishment of his newspaper. He also got from Miller & Richard an undertaking to transfer to him (Scarth) the mortgage held by them from Mr. Davin, and other securities they held in the plant and stock of the "Regina Leader."

It eventually transpired that Mr. Scarth had to pay Mr. Davin's indebtedness to Miller & Richard, which was done by his drawing from the funds of the joint trust \$2,455.00.

Some years thereafter - on the 11th October, 1893 - Mr. Davin executed a third mortgage in favour of the joint Trustees, in which was conveyed to them all the lands included in the mortgages held by Mr. Scarth, excepting two lots, namely, 40 and 41, in Block 286, which had been previously released from under the mortgage. The total payments credited to this account in the books of the Trustees

amount

amount to \$893.95.

The mortgages from Mr. Davin to Mr. R.L. Patterson, agent for Miller & Richard, W.B. Scarth, and to the Trustees, were all discharged, releasing Mr. Davin from all responsibility on his conveying to the Trustees the lots covered by the mortgages.

The release from the Trustees bears date June, 1898, and that from Mr. Scarth of the Miller & Richard mortgage assigned to him, and one made direct to himself, 31st December, 1898. The books, notwithstanding, show that the account was closed on the 30th November, 1897, at which date Mr. Davin owed \$3,684.02.

At the time the question of releasing Mr. Davin from his mortgages was being considered, a valuation of the property held under them was made by Mr. Marsh, agent for the Trustees at Regina. The security in the lots was placed by him at \$750.00, which included the value of a building which stood upon two of them. In giving his evidence before the Commission, he placed the present value of the lots at \$202.00, exclusive of the building, which had been sold for the sum of \$65. Mr. Mollard, in his evidence, valued the lots at \$100.00.

It is quite clear that the intention in the beginning was that all the plant which had been purchased from Miller & Richard should also have been held in security for repayment of the amount loaned, but no assignment of this security was taken. The reason given by Mr. Scarth in the evidence, page 225, for this omission, was that "if we took the plant from Mr. Davin he would be crippled entirely".

It would not appear that the Government gave its consent to this loan, nor can it be found that it was ever consulted regarding it, or regarding the discharge of the (mortgages.

mortgages. It is assumed by your Commissioners that the Trustees went beyond the powers given them, in loaning trust funds, and it is therefore only proper that they should credit the Government account with half of the loss sustained, which amounts to \$1,775.75.

Richardson Loan.
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This was a temporary loan, made to Judge Richardson at Regina in the autumn of 1889, and was repaid within the next year. Outside of the fact that the Trustees exceeded their authority in advancing this money there would appear to have been no loss sustained in this transaction.

South Qu'Appelle Building Society
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The books of the Trustees show that in the year 1886 Mr. W. B. Scarth and Mr. A. M. Nanton each subscribed for \$150 worth of stock in this Society. Later on Mr. Nanton assigned his stock to Mr. Scarth, in whose name it at present stands. It is very doubtful if the Trustees acted within the scope of the agreement in purchasing this stock, but as it appears to be stock in the name of W. B. Scarth personally, it might be well, since there is no question as to its belonging to the joint townsite Trustees, that Mr. Scarth should be asked to transfer the same for the benefit of the Trustees. It might be said that the payment of this money could not have been considered necessary for promoting the advancement of the town of Qu'Appelle, as the stock was purchased some years after the town was firmly established. The money is invested in a terrace of four houses, and so far as the returns are concerned it has paid very satisfactory dividends.

(Refunds

Refunds to Purchasers.

Amongst the large number of first sales of town lots made in the town of Regina, a considerable number were purchased by persons evidently for speculative purposes. (This was also true in regard to the purchase of the great bulk of lots in the other townsites.) From the Departmental files, it would appear that the Trustees represented to the Government that application had been made by a number of persons who had purchased Regina lots, by paying one third down, which was the cash payment required, to be relieved of any liability for the two thirds of the purchase money which had not been paid, and recommended that they be given lots to represent the amount of cash paid in, and also at the same time stated that in two or three cases where more than that proportion had been paid, that it might be desirable to refund the cash. By an Order in Council passed on the 25th February, 1884, in answer to a communication dated the 12th January of the same year from the Trustees, they were authorized to grant deeds for one third of the property purchased where one third had been paid, and to relieve the purchasers from further liability for the remaining two thirds; ^{it was further provided} and further that the Trustees should not return to the purchasers any money paid by them over the cash payment of one third of the amount of purchase without submitting each case to the Minister of the Interior.

Notwithstanding this the Trustees, without, so far as can be ascertained, obtaining the permission of the Government, refunded to no less than thirteen purchasers, between September 3rd, 1885, and December 13th, 1886, the sum of \$26,473.99.

On the 13th January, 1887, an Order in Council was passed authorizing on the Government account, certain refunds to be made

to be made which amounted ~~in~~ in the total, to \$60,981.70. One half of this, namely, \$30,270.52, represented the Government's interest. It was expressly provided by this Order in Council that in making the refund, the money was to be taken from funds which were at that time, or might thereafter be, in the hands of the Trustees on account of purchases of lands in the joint townsites, but without interest. Notwithstanding this, the Trustees borrowed from the Canada North West Land Company a sufficient amount to make the refunds at once, charging the Government account directly with interest, to the extent of \$1350.54. This, the Commissioners decide, should be credited to the Government account in the books of the Trustees.

It may be remarked, in this connection, that a large portion of the amount refunded - upwards of \$40,000 - was represented by investments made on behalf of Messrs. Muirhead & Gunn, of Glasgow, and the Scottish Ontario and Manitoba Loan Company, who were represented by one of the Trustees.

Government Account

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In the Dominion Government account kept in the ledger of the Trustees there appear a number of charges made without any authorization either in the agreement between the Canadian Pacific Railway Company and the Government, or by direct authority of the Government, and which the Commissioners feel justified in making special reference to.

Mr. W. B. Scarth, as one of the Trustees, appears to have drawn in salary, and charged to the Government account, the sum of \$7,469.13; and Mr. E. B. Osler, as Trustee, also drew \$500 for services rendered by him. There is also an amount for salary of F. C. Campbell, \$3,187.50, and Extra

and Extra Clerks \$137.00, charged to this account.

It may be quite possible that these gentlemen rendered services worth this amount to the Government, but it would appear rather remarkable that without its consent they should undertake to debit the account and pay themselves the sums named. It would seem only reasonable, in view of the fact that there were other interests which were looked after by these Trustees, that if a special salary was to be allowed for services rendered in connection with the townsites in which the Government was interested, that the amount should be charged in the General Expense Account of the Trustees, and not to the account of one of the parties to the Trust. This is the view taken by the Commissioners, and in preparing a new statement with reference to the Government account credit is taken for one-half the amount charged in this way.

The services of Mr. F. C. Campbell were also employed by the Canada North West Land Company, and by the Canadian Pacific Railway Townsite Trustees, which trusteeship included all the townsites along the main line of the Canadian Pacific Railway, between the Town of Brandon and the Rocky Mountains, except those in which the Government hold an interest. The total amount charged to the Government account in this connection was \$11,293.63. The Commissioners have decided that only one-half of this amount is properly chargeable to the Government, and that the other half should be charged to the other parties who hold a half interest in the townsites.

It might be well to point out that the Trustees, Messrs. Searth and Osler, also charged up to the Government account the sum of \$2,600 for their services to 31st December, 1883. This method of paying themselves for their services was considered by the Department an improper one, and they were so informed at the time by receiving two official cheques for \$1,200 each, so that the sum previously

drawn by them from that account might be returned. It was evidently the intention of the Department that salaries were not to be made a direct charge to the Government account, and presumably it was held that such charges could only be made in the general expense account of the trust.

If, however, the Government were liable for any payment of this kind it could only be made by cheque drawn on the appropriation at the disposal of the Department provided for the purpose.

The above amount, \$2,500, paid by ~~THE~~ Government cheque was not, of course, included in the \$11,293.63.

Exception is also taken by the Commissioners to the Government account being charged with the sum of \$11,617.50, for rental of Government building, and certain furnishings, and \$3,000 in connection with the purchase of the building by the Government.

These items, appearing as they do in the Government account of the Joint Trustees, are most irregular, and contrary to the principle under which public moneys are administered by the Government of Canada. If the arrangement regarding the lease of this building were a satisfactory one to the Government, the whole business should have been transacted through the Department of Public Works, and any expenditure in this connection should have been paid out of the funds at the disposal of that Department for such purposes. It will be clearly seen that the irregular method adopted was practically taking money standing at the credit of the Government, which should have been placed to revenue account through the Department, and applying it to actual expenditure on the part of the Government, which was clearly a violation of the spirit of the Consolidated Revenue and Audit Act.

The Commissioners have already referred to the rental of this building and the purchase, so that it is unnecessary to repeat what has already been said regarding what appears to them a most extraordinary proceeding on the part of the Trustees in charging the Government such an enormous rental, and then asking the Government, after paying this rental for some eight years, to pay them nearly \$4,000 more than the real value of the building, as fixed by them, and shown in their books.

Taxes.

The question of Municipal taxation is one that was apparently under discussion for a number of years, between the Trustees and the Municipalities in which the townsites are situated. The position assumed up to the year 1890 by the Trustees was that their property was not taxable, and that no taxes could be levied against it. It is very clear that the Municipalities, while not very sure of their position, undertook to levy each year against the lands of the Trustees, but, except in the case of Virden, did not undertake to advertise or sell any of the lands for taxes. The Municipality of Wallace, in which the townsite of Virden was situated, did, however, advertise all the vacant lots in the townsite of Virden for sale for taxes, but before the matter had proceeded far, the Trustees undertook to effect a settlement with this town and the other three. Mr. W. B. Searth, one of the Trustees, and Mr. J. Stewart Tupper, of the firm of MacDonald, Phippen and Tupper, their solicitors, visited the respective places, and consulted with the different

Municipal Councils, for the purpose of arriving at some amicable arrangement in the matter. In every case they would appear to have taken the position that the interests in the lands, at least so far as the Government of Canada and the Canadian Pacific Railway Company were concerned, which comprised three quarters of the interest in the townsites, were not taxable, and that if any portion of the townsites were taxable it could only be a one fourth interest, or that held by the Canada North West Land Company, which acquired its interest from the Canadian Pacific Railway Company.

From the records of the Department it appears the Government took the position at the time that its interest in the townsites was not liable to taxation, and consequently declined to pay taxes. A settlement was finally effected with the representatives of the respective Municipalities by which the Trustees should pay a rate of taxation equal to the interest of the Canada North West Land Company, which was one quarter, and this arrangement has been renewed from year to year up to the present time, and taxes have been paid on the unsold lands belonging to the Trustees, amounting to \$26,988.12.

In the examination of the records of the Trustees, it was found that this amount has been made a charge against the joint interests, instead of having been provided for by the Canada North West Land Company, outside of the trust agreement, or at least, if paid by the Trustees, the Commissioners are of the opinion that the amount should have been made a direct charge in the Canada North West Land Company's account. The Commissioners, therefore, in their statement have credited the Government in the sum of \$12,410.22, which is one-half of the amount of the taxes

paid

paid, less the amount still at debit of townsite accounts, and have also charged interest on this amount at four per cent, amounting to \$3,520.35, which they conceive to be a reasonable charge, and one for which the Government is entitled to receive credit.

In this connection, also, there was a large expenditure in law costs, which was made a charge to joint account, but it is thought the amount might stand, as no doubt a considerable portion of it would have been incurred in any event.

The Commissioners would draw attention to the fact that in settling with the Municipality of Wallace, the Joint Townsite Trustees improperly paid to the Municipality the taxes against the town of Elkhorn, which amounted to \$188, and which should not have appeared at all in the books of the Joint Townsite Trustees, as Elkhorn is not one of the towns in which the Government holds an interest.

The Trustees have assumed that all lands having once passed out of their hands by sale were liable for Municipal taxation, and a very considerable amount of taxes has been paid on lands which have reverted to the Trustees. One instance in which a serious loss occurred in this connection was the payment of taxes on certain lots sold in Regina for which the Trustees received about \$14,200.00, and paid taxes on this same property to the extent of \$14,977.00, without, as far as the Commissioners can ascertain, having made any valuation of the lands, notwithstanding that the value of property in Regina had greatly depreciated after the sale.

It would seem that a very considerable loss would have been averted if the precaution had been taken by the Trustees to

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have had a valuation of these properties made before the payments were made on account of taxes.

The books also show that payments were made to the Canada North West Land Company, amounting to \$25,000, on December 9th, 1882, and that \$57,000 was paid to the Canadian Pacific Railway Company and the Canada North West *Land* Company on March 31st, 1883, from the sales of town lots, but no amount appears to have been credited to the Government until January 11th, 1884. In view of the fact that the Government was not at the same time paid the proportion ^{to} due it, and that the money was standing to the credit of the Trust account in the books, and bearing interest at 4 per cent, in which the whole Trust participated, the Government is fairly entitled to interest at the same rate on the amount paid to each of the Companies referred to, from the date of such payment up to the date on which the Government received its share. This amounts to \$2,874.19, and appears in the statement prepared by the Commissioners of the adjustment of the Dominion Government account.

Exception is also taken by the Commissioners to the payment of a gratuity to Mr. F. J. Gosling, who was engaged by the Canada North West Land Company as its Secretary. Mr. Gosling, as the evidence goes to show, was engaged for a number of years by the Company, and they having decided to dispense with his services, a gratuity ^{to him} appears to have been given, amounting to one year's salary, namely, \$3,000, of which sum \$333.32 was charged to the Joint Townsite Trustees. The Commissioners are of the opinion that no portion of such gratuity should be provided ^{Government} by the ~~Company~~, and have consequently taken credit for one-half of the latter sum, which would be the Government's proportion

proportion.

In the examination of those of the vouchers found in the records of the Trustees, a number of minor items appear, which have no connection with the Joint Townsites, being amounts due by the Canadian Pacific Railway Townsites, and the Canada North West Land Company. The total value of these sums is \$40.60. There is also an item of \$250, being a payment to Mr. Hector Cameron, Q.C., for opinion and professional services in London, England, in the year 1882, which cannot, it is thought, have any connection with the joint townsites, inasmuch as the services were rendered long prior to the date of the agreement to which the Government was a party. One half of these two sums should be credited to the Government account.

The balance to the credit of the Government account on the 31st December, 1899, was found to have been \$15,765.35, which sum agrees with the statement furnished by the Trustees at that time, and certified to by their auditor. This amount, together with the credits referred to in the foregoing, would make a total sum of \$46,855.19, which amount should appear to the credit of the Government account instead of that first named.

The Commissioners are not prepared to recommend any procedure with reference to the charging up to the interests liable for the difference shown in the Government account, but leave it for the Canadian Pacific Railway Company and the Canada North West Land Company to adjust it in a way that would seem proper to them.

Employees

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The trustees appointed agents at the various towns, and until the main office was removed to Winnipeg also one at that place. The Agent at Winnipeg was paid a salary and the others a commission, except in the case of those at Regina and Qu'Appelle, who were brought from Ontario, and engaged under a guarantee of \$1,000 per annum; that is, they were to be paid by commission, but if the amount ^{earned} fell short of one thousand dollars the difference was to be made up to them. In the case of Mr. Jarvis, at Qu'Appelle, his commission fell short of the amount guaranteed by \$350, and in the case of Mr. Hunan at Regina, the sum of \$206.20 was made up to him.

While \$1,000 per annum may not have been an excessive amount to pay to an agent who devoted his whole time to the services of the Trustees, the objection to such an arrangement as was entered into lies in the fact that satisfactory agents could no doubt have been engaged at these points simply on a commission basis, as in the case of the agents appointed at Moosejaw and Virden.

Notwithstanding that the trustees had a salaried agent and assistant at Winnipeg, and an agent at Regina, they gave over the greater part of the townsite of Regina to be sold exclusively by a firm of Real Estate dealers in Winnipeg, Messrs. Brandon & McFee, thus practically taking the business out of the hands of their regular agents. This firm, it has been said, got all the commissions on sales through whatever agency they were made of lots from their allotment. The vouchers show that they received in March, 1883, commissions on sales to that date amounting to \$5,768.43.

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Your Commissioners fail to understand the motive which prompted the trustees to engage Brandon & McFee, when it seemed so clearly apparent that their services were not required.

There appears to have been another appointment that was far from satisfactory - that of Mr. Gillman to the Winnipeg office. Although this gentleman was paid in salary \$902.76, it would appear that he did little or no work. From Mr. Bain's evidence, page 64, it would seem that Mr. Gillman was engaged in the East to take the town site agency at Medicine Hat, which is not one in which the Government held an interest.

Another matter to which we would draw attention is that none of the agents employed by the Trustees were required to give security for the proper accounting of moneys coming into their hands, and because of that omission losses were sustained. It was moreover ascertained in evidence that the agents of the Joint Townsite Trustees at Regina and Moosejaw also acted as agents for the Canada North West Land Company, and that the office expenses were made a charge against the funds of the Trust account.

For a number of years past the agents have been allowed nothing but their commission on sales and collections. No allowance is made them for office accommodation or supplies.

Audit.

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The Commissioners, in order to secure an unquestioned adjustment of the accounts, and an analysis of the same, employed Mr. W. A. Henderson, a chartered accountant, of Winnipeg, to make a thorough examination of the accounts that appear

that appear in the books. (His evidence, with the statements of account duly certified, will be found attached to this report).

They also found it necessary, in order to intelligently investigate the accounts, to engage the services of Mr. F. C. Campbell, who was the Accountant for ten years in the office of the Trustees, during the time the larger part of the business was transacted by them. This was felt necessary in order that Mr. Campbell might refresh his memory to enable him to give reliable evidence touching matters with reference to many of the transactions of the Trustees. Both Mr. Henderson and Mr. Campbell rendered invaluable service to the Commissioners in this regard.

Having examined the records and ascertained that audits were made each year, and reports forwarded both to the Canadian Pacific Railway Company and the Government of Canada certifying to the correctness of the ledger balances and the cash receipts and expenditure, by gentlemen of financial standing and consequently well qualified to make the examination; and in view of the fact that it would have been impracticable for the Commissioners to have gone over this same ground, covering such a long period and at such a late date, we have, in so far as the proper accounting for monies received and paid out is concerned, accepted the statements of the Auditors.

The system of accounts adopted was rather more complicated than would appear to have been necessary. The powers given to agents with regard to expenditure, etc., were rather extended, but on the whole the accounts are in such a condition that little difficulty was experienced in ascertaining the business transactions of the Trustees

While

While no doubt a considerable saving was effected in many directions by the plan adopted of transacting business through the Canada North West Land Company, yet we feel that it would have been much more satisfactory if the officials employed in the work had kept the business of the Trustees separate from the transactions of the Canada North West Land Company and the Canadian Pacific Railway Townsites.

Free Grants.

The Trustees made free grants of lots for purposes of schools, churches and municipal buildings, also to Mr. N. F. Davin, as a bonus to establish a manufactory at Regina, and to others in the respective townsites to encourage the starting of industries, and although it might be argued that some of these grants were not such as are authorized by the agreement, the Commissioners feel that the object in making them, being, presumably, to advance the interests of the Trust in the towns, possibly little exception can be taken in the matter.

Free grants were also made in the town of Regina of land to be used for exhibition grounds and also for the Regina, Long Lake and Qu'Appelle Railway. Whether these can be fairly considered as for public purposes or not, the Commissioners are not prepared to express an opinion; but it would appear to be rather remarkable in this relation that one of the parties to the agreement - namely, the Canada North West Land Company - who held a one quarter interest - ^{was} were paid for the proportion of the property donated in both the cases mentioned, while the other interests, that of the Government, being one-half, and that of the Canadian Pacific Railway Company, one quarter, were given without any consideration whatever.

The Grant

The grant to the Regina Exhibition might reasonably be taken as a grant for public purposes, but the same can hardly be argued with respect to that made to the Railway Company; and there would appear to be no reason why the Trustees should not have disposed of the land by sale in the regular way, as the Company wished to obtain it for access to the Town of Regina.

Sale of Lands at Moosajaw
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In the Sales Ledger is recorded a sale of about 33 acres of land ^{at Moosajaw} within the last two or three years, to the Canadian Pacific Railway Company at \$3 per acre. This land is immediately adjacent to the town, and from the evidence given by the Townsite Agent at Moosajaw it was considered by him as worth \$50 per acre. Under what authority the Land Commissioners of the Canada North West Land Company disposed of this land to the Canadian Pacific Railway Company, the Commissioners are unable to say, as the agreement would not justify this sale.

We might add that Mr. Jones, the Accountant in the office of the Canada North West Land Company, in his evidence stated that he supposed that the arrangement between the Canada North West Land Company, and the Canadian Pacific Railway Company would permit of the Company taking the land required for railway purposes at the original price, but the Government was not a party to that agreement. The Commissioners, therefore, cannot approve of the sale being carried out at the price named but think that a reasonable price should be placed on the land; and that taking into consideration the fact that sales are not now readily made ~~xxx~~ in Moosajaw and that the land is only being required by the Company for road ballast which it contains,

contains, it might be placed at \$30.00 an acre.

Proportion of Expenses, &c.

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The business of the Joint Townsite Trustees being conducted by the Canada North West Land Company through its officers, made it necessary for the Trustees to provide for a proportion of the general expenses - including salaries, rent, law costs, etc. It would seem impracticable for the Commissioners to undertake a re-adjustment of the charges made in this connection, although it would appear that for many years the proportion charged to the Trustees in proportion to the business transacted is excessive. The Commissioners have concluded that inasmuch as there might have been a great deal of work in connection with the collection of moneys and adjustment of the accounts of the Trustees which would not appear on the surface, that may account for the fact that the proportion seems somewhat excessive. The Commissioners, however, unable as they are to dissect the account for Law Costs, are of the opinion that this expenditure might very well have been kept entirely separate from that of the Canada North West Land Company, and the other Townsites in which the Government was not interested, and feel that the amount for this service charged to the Trustees, is much more than what would have been found the case had a separate account been kept.

Trustees

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There does not appear to be any provision in the Trust Deed whereby resignations may be carried into effect and new appointments made, and some difficulty seems to have been experienced in 1887 when Mr. Scarth, who had been

been Managing Trustee up to that time, forwarded his resignation to the Department. The Department, however, accepted Mr. Searth's resignation and appointed Mr. H. H. Smith, then Commissioner of Dominion Lands at Winnipeg, to take his place. Mr. Smith, however, does not appear to have acted, or assumed any responsibility in the premises, but notwithstanding Mr. Searth's resignation, he (Searth) still remained a Trustee, and is still acting as a Trustee under the Trust Deed - at least, it is understood, in so far as it relates to the signing of conveyances and other documents requiring the signature of a Trustee. In 1895 Mr. Searth left Winnipeg, and Mr. L. A. Hamilton, who was at that time Land Commissioner of the Canadian Pacific Railway Company, was appointed Land Commissioner of the Canada North West Land Company, and has been directing the business of the Trust ^{that} since date. As the transactions are now very limited, the arrangement was probably the best that could have been made for economical management.

Evidence

.....

The Commissioners in the course of their investigations examined the following gentlemen, whose evidence will be found on pages set opposite their respective names,-

At Winnipeg

F.C. Campbell, p. 1 to 50

W.A. Henderson* 61-62

Alexander Bain pp. 63 to 74

F.T. Griffin, pp. 75 & 76,

S.H. Jones, 77 to 99,

F.W. Russell, 100 to 101.

At Moosejaw

Wm. Grayson, pp. 105 to 110 at meeting of Town Council 195 to 202.

At Qu'Appelle

Hon. G.H.V. Bullock, 169 to 170.

At Regina

A.L.Lunan, 111 to 119
 Geo.W.Brown, 120 to 121,
 H.W.Newlands, 122 to 156
 E.T.Marsh, 157 to 162,
 J.W.Smith, 163 to 164,
 Jas.Balfour, 165 ,
 W.T.Mollard, 166 to 168.

At Virden

J.F.Frame, 171 to 177,
 Duncan McDonald 178 to 179,
 A.G.McDougall, 179 to 194,

At Ottawa

W.B.Scarth, 211 to 239,
 Wm.Pearce, 102 to 104.

M.F.Davin, 242 to 249, At Toronto

At meeting Town Council E.B.Osler,
 203 to 210.
 F.J.Gosling, 240-241.

At Montreal

Charles Drinkwater, 250
 to 254.

All of these persons showed a willingness to give any information they possessed with reference to the matters under investigation, with the exception of Mr. E.B. Osler, who declined to make any statement for record without first going through the books and records of the Trustees, and refreshing his memory, and also that he without having his solicitor present when he was being examined.

The evidence given by Mr. Drinkwater, Secretary of the Canadian Pacific Railway Company, is of little value in clearing up certain matters arising out of our investigation in which the Company were primarily interested. Mr. Drinkwater suggested that all the records in connection with the history of the Joint Townsite transaction were in the Land Department of the Canadian Pacific Railway at Winnipeg, but in the examination of three of the officials at that office, but little information could be elicited.

Cash Statement.

The total receipts from sales of lots in the respective townsites to 31st December, 1899, amount to, namely:-

Regina	\$254,485.92	
Moosejaw	114,606.63	
Qu'Appelle	36,249.81	
Virdon	46,939.14	\$452,281.50

Of this sum the respective interests were paid the following amounts, namely:-

Dominion Government	\$141,200.00	
Canadian Pacific Railway Company	85,032.18	
Canada North West Land Company	85,817.56	\$312,049.74

Amongst the principal items of expenditure are the following :-

Cost of management	\$ 62,685.16
Townsite improvements	17,982.46
Taxes	42,554.84
	<hr style="border-top: 1px solid black;"/>
	\$123,222.46

Accompanying and forming part of this report will be found a complete statement of the cash transactions of the Trustees from the commencement of business to December 31st last.

These statements were prepared by Auditor Henderson and certified to by him as correct. The main accounts of receipts and expenditure appearing in the books were carefully analysed, and will, we think, give full information regarding the transactions of the Trustees.

For ready reference the statements may be enumerated as follows :-

Page 255 to 257	Analysis of Profit and Loss Account.
258	Receipts and expenditure taken from Profit and Loss Account.
• 259	Regina Sales per Profit and Loss Account.
• 260 to 262	Summary of Regina Purchases Account.
• 263	Moosejaw Sales per Profit and Loss Account.
• 264 to 267	Summary of Moosejaw Purchases.

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	Qu'Appelle Sales Profit & Loss Statement.
" 269 to 271	Summary of Moosejaw Purchases.
" 272	Virden sales Profit & Loss a/c.
" 273 " 274	Summary of Virden Purchases.
" 275	Regina Building.
" 276	Law costs.
" 277	Travelling expenses (Analysis.)
" 278 " 283	General charges.
" 284 " 285	Regina Improvement a/c.
" 286	Moosejaw " "
" 287	Qu'Appelle " "
" 288	Moosejaw premises.
" 289	Cemetery (Regina.)
" 290	Cemetery (Qu'Appelle.)
" 291 " 292	Regina Townsite a/c.
" 293 " 294	Moosejaw " " "
" 295	Qu'Appelle " "
" 296 " 297	Virden
" 298	Dominion Gov't a/c as per ledger.
" 299 " 300	" " " as prepared by Commissioners.
" 301	Memo of taxes paid and interest thereon
" 302	Virden taxes.
" 303	Statement items charged to joint a/c belonging to C.P.Ry. townsite and Can. Nor. West Land Co.
" 304 " 308	Virden taxes (evidence.)
" 309	Regina premises. (Building a/c.)
" 310	" " (Insurance)
" 311	South Qu'Appelle Building Society.
" 312 " 313	Loans, Regina.
" 314 " 324	Davin Mortgage a/c.
" 325	Comparative Statement of Sales, joint townsites C.P.Ry. townsites and Can. Nor. West Land Co.

Page 326 to 333

Summary of comparative statement showing proportion expenses charged to the three interests.

" 334	Blair taxes.
" 335	Statement showing amounts refunded to Regina allotment purchasers, Dominion Order in Council passed 13th January, 1887.
" 336	Taxes paid South Qu'Appello.
" 337	" " Regina.
" 338 " 339	Cash on sales paid to respective interests.
" 340	Canada North West Land a/c.
" 341	Canadian Pacific Railway Co. a/c.
" 342 " 348	Virden Townsite (Purchase of)
" 349	Taxes (Summary charges from books Joint Townsite Trustees.)
" 350	Taxes Regina. (Analysis of charged to Profit & Loss a/c.)
" 351	" Moosejaw " " "
" 352	" Qu'Appello " " "
" 353	" Virden " " "
" 354	Statement of assets and liabilities 31st December, 1899.
" 355	Salaries paid from 1882 to 31st December, 1899, charged to joint expenses.
" 356	Statement interest on Credits to Trust a/c Imperial Bank, Winnipeg.

(Government Account.

The account for the Dominion Government in the ledger of the Trustees, shows a balance on the 31st of December, 1899, of \$15,565.35. To that sum are added in the accompanying statement appearing on pages 299 to 300, the items which, for reasons already given in this report, should

be credited to the Government account. The balance shown to the credit of the Government in this statement is \$46,885.99.

Respectfully submitted,

Commissioners.