

Hon. Mr. BEIQUE: I do not rise to make any objection to this amendment. I rise to suggest that we deal with the first part of section 6 and that we decide that the four per cent guaranteed stock will be made subject to arbitration as well as the three preference stocks and the common stock. Of course, I am open to consider any reasonable objection which may be offered to that being done; but, so far as I am advised at the moment, I cannot see why that stock should not be arbitrated upon.

Hon. Sir JAMES LOUGHEED: My honourable friend can move an amendment. I have moved consideration of section 6, and if my honourable friend has an amendment to move, let him move it. I do not propose to move any such amendment.

Hon. Mr. DANDURAND: Some responsibility rests on my honourable friend, and it is to give an explanation why he has altered his course this afternoon. He may have a good reason to offer, but why should not the Senate know it, and why should that guaranteed stock be not arbitrated upon?

Hon. Sir JAMES LOUGHEED: I have already explained that I took it up with the Government, and we have concluded that it is impracticable to throw this stock into the same pot as the preference shares, for the simple reason that this is a ranking stock that is practically on the same parity as the debenture stock. It ranks immediately thereafter; it has certain privileges; it is subject to a trust deed, and cannot be acquired except in this way. The holders of that stock are not going to say to the arbitrators: "We consent to your depreciating this stock fifty per cent, or whatever it may be." They say: "We are quite content to hold on to our stock." The Government must necessarily make some arrangement with the holders of that guaranteed stock by which they will abandon their holding rights. That guaranteed stock carries with it voting rights, four votes per hundred pounds, and it is therefore necessary that the Government should be empowered to deal with it. This Bill proposes to give authority to the Government to agree with the holders of that guaranteed stock.

Hon. Mr. BELCOURT: Will my honourable friend indicate in a general way, or in a specific way, what the guarantees or pledges are in regard to this guaranteed stock?

Hon. Sir JAMES LOUGHEED.

Hon. Sir JAMES LOUGHEED: I understand that in the case of liquidation it ranks immediately after the debenture stock. It would rank first of all the assets, outside the debenture stock.

Hon. Mr. DANDURAND: I would draw the attention of my honourable friend to the fact that the holders of that stock have received no dividends during the last few years. Those shareholders can only get a dividend if it is earned. The advantage of arbitrating upon that guaranteed stock, which every Senator must see, is that if the arbitrators decide that only \$2,000,000, or \$1,000,000, is the amount that should be given to the shareholders, it goes without saying that the award up to two and a half million dollars will go to the guaranteed stockholders who have a priority over the preferred stockholders. But if we maintain the situation, and declare that they will be entitled to 4 per cent, it also goes without saying that the arbitrators will have no leeway between the two and a half million dollars, which is given to the guaranteed stockholders, and the \$5,000,000 which is the maximum sum. There is no question that we guarantee the guaranteed stock, and guarantee a payment of \$2,500,000, and the only play which the arbitrators will have will be between the \$2,500,000 and the \$5,000,000, while this morning they had full play over the whole \$5,000,000.

Hon. Mr. BEIQUE: I am sorry that the honourable leader of the Government takes my suggestion in such bad part. My suggestion was not by way of objection to his amendment; I intended it merely as a suggestion. I was going to explain why the four per cent guaranteed stock should be subject to arbitration. The honourable gentleman has stated that he saw difficulties in the way, but he has not pointed out what the difficulties are. I think we should be allowed to discuss this without getting excited, and without my honourable friend taking my remarks in bad part. I quite apprehend that the holders of the four per cent guaranteed stock have a preference over the preferred and common stock. I do not suggest that they be deprived of that preference; but I do suggest that if, for instance, the arbitrators were to find that the dividends that had been paid on that four per cent guaranteed stock had been paid out of capital for the last ten or twelve years, and that the value of the stock, instead of being par, is only forty cents or fifty cents on the dollar, I do not