

taken by the Government and, in as definite a form as possible, its concrete proposals.

It may be assumed that the difficulties in which the Company now finds itself arise from two main causes: (1) the obligations into which the Company entered in 1903 and 1904 with respect to the Grand Trunk Pacific Railway Company; (2) War conditions as to operation and finance.

As to the latter cause it is not unfair to say that its incidence has fallen chiefly, if not wholly, in the years 1917 and 1918. On the contrary, the difficulties of the Grand Trunk Railway Company, which are the direct outcome of its Grand Trunk Pacific obligations, are of much longer date. This latter company is in every sense subsidiary to, and its stock is wholly owned by, the Grand Trunk Company. To this subsidiary company the Government of Canada came, by way of assistance, as far back as 1909, with a loan of \$10,000,000. Another loan of \$15,000,000 was made in 1913. A further loan of \$6,000,000 was made in 1914 on a pledge of Bonds. Its securities were further guaranteed by legislation of that year to the extent of \$16,000,000. In 1916 a loan of \$8,000,000 was made. In 1917 a loan of \$7,500,000 was authorized and advanced, and in the spring of this year a further loan of \$7,500,000 was authorized by Parliament. Meantime, the ever-increasing interest obligations binding on the Grand Trunk Railway Company toward its subsidiary company were not paid by the Grand Trunk Railway, but were taken care of out of the proceeds of loans thus made by the Government of Canada. These obligations at the present time amount to very considerably over \$5,000,000 per annum, and in January 1923 increase to over \$7,000,000 per annum. In the same conjunction it must be remembered that the Grand Trunk Pacific Company has not assumed or attempted to discharge its rental obligations to the Government of Canada with respect to the National Transcontinental Railway, which obligations, while not formally assumed by the Government, have in practice been shouldered by the Dominion. This extra burden is a matter of very considerable magnitude.

I refer to the outstanding facts related in the preceding paragraph for the purpose of indicating what has through recent years been the attitude of the Canadian Government and people toward Grand Trunk enterprises.

It is at this point that the Canadian Government is invited to enter upon a still wider field of assistance by assuming liabilities in respect of Grand Trunk securities themselves. Through the course of the various steps recalled above, public opinion in our country has become more and more opposed to a continuance of the practice of assisting financially railways that were in private hands. Consequently, at the opening of our negotiations we stated to you that we did not believe that continued further assistance under present conditions could be justified.

In order, however, that there might be reasonable opportunity for negotiation, we recommended to the Minister of Finance that funds be provided to enable the company to meet maturities falling due in July. This has been and is being arranged.

Throughout the negotiations, and indeed prior thereto, it has been made clear to your company that the obligations of the Grand Trunk Company to the Grand Trunk Pacific Company could not be ignored, and that the Government could not undertake to assume the indebtedness of and to operate the Grand Trunk

[Mr. Meighen.]

Pacific and branch lines thereof, and to relieve the Grand Trunk of responsibility therefor, while the Grand Trunk Railway itself, as a subsidiary of which and indeed as an extension of which the Grand Trunk Pacific was built, remained in independent hands. Accordingly, in the month of February last, after careful consideration, and in pursuance of the recommendation of what is commonly known as the Drayton-Acworth Report, there were made to your company the following proposals:—

(1) The Government to take over the Grand Trunk Pacific Railway and branch lines and the Grand Trunk Railway Company; to acquire all assets, and to assume all obligations of both companies.

(2) The Government to make annual payment of \$2,500,000 for the first three years, \$3,000,000 for the succeeding five years, and \$3,600,000 annually thereafter; such sums to be distributed by the Grand Trunk management, as they might determine, among holders of 4 per cent Guaranteed and other stocks.

It was intended that the taking over should be by rental over a long period of years, as might be agreed, with a provision for purchase.

Should such terms not be accepted, it was suggested that the amounts in question might be submitted to arbitration. These proposals met with no acceptance.

Our present conferences, extending over the past month, have resulted in little progress—the only practical step being, indeed, the assistance referred to above as advanced by the Government. As intimated above, such assistance cannot under present conditions be continued.

We are now prepared to abide by the proposals submitted to you in February last as to acquisition, or we are prepared on behalf of the Government to submit the entire question of remuneration to a Board of Arbitration on the following general terms:—

(1) The Board to consist of three persons: one to be appointed by the Grand Trunk Company, one by the Government of Canada, and the two so appointed to select a third, or, if they fail to agree, the third to be selected by a majority of the following: the Judge of the Exchequer Court of Canada, the Chief Justice of the Supreme Court of Canada, the Chief Justice of the Province of Ontario.

(2) The Board to have full power as to the procuring and acceptance of evidence.

(3) The award to be by way of annual rental for a term of 999 years; the Board to have power to vary the rental for two or more periods of years. The Government to have the option of purchase on the basis of and during the term of the final rental at the end of any year and on one year's notice at twenty-five times the annual final rental.

(4) Conditions arising or that have arisen out of the war not to be taken into account in determining the rental value.

Should the Company desire, the Guaranteed Stock may be treated as an obligation in the same way as the Company's Bonds.

I would be glad to be advised whether the above specific proposal is acceptable, or if not, whether the general terms of arbitration out-