

the proposal is not only a reasonable one but an exceedingly fair one from the standpoint of the country. The Grand Trunk think that they have been very harshly dealt with; but from the standpoint of the country I submit it is a complete answer to the remarks of my honourable friend.

Mr. VIEN: The Minister of Railways (Mr. Reid) stated a short time ago, in answer to the question which was put to him, that it was the intention of the Government to hold the Grand Trunk Railway Company responsible for all their liabilities in respect of the Grand Trunk Pacific. The Minister of the Interior (Mr. Meighen) subsequently stated that for a few years past the Grand Trunk Company would not have been able to pay any dividend even on the guaranteed stock if all their Grand Trunk Pacific liabilities had been taken into account, nor could they do so now.

Mr. MEIGHEN: No.

Mr. VIEN: I gathered that the minister stated, in answer to the hon. member for Bellechasse (Mr. Fournier), that if the Grand Trunk Company were called upon to pay the interest on the Grand Trunk Pacific bonds guaranteed by them, as well as their other liabilities, they could not pay any interest on those bonds.

Mr. MEIGHEN: I did not say that at all. I understood the question to be: Could the Grand Trunk pay interest on the three preference stocks and the common stock? My answer was: The Government would argue that they could not. On the contrary, the Grand Trunk contend that they could, and they urge that it would be the duty of the institutions that have control to allow such rates as would enable the company to do so. But I stated that the Government would argue that, as to those stocks, the Grand Trunk Company could not pay any interest if they met all their other obligations. I did not presume to say that they could not do so. It will be the Government's contention that they could not; the Grand Trunk contend the opposite; so it is for the arbitrators to decide.

Mr. VIEN: I accept the correction of the Minister of the Interior. But at any rate, if the Grand Trunk Company were called upon to meet all their liabilities in respect of the Grand Trunk Pacific Railway, it is highly questionable whether they could pay any interest on what is called the four per cent guaranteed preference stock. It is so highly questionable that for the past two years the Grand Trunk have not met the

interest obligations on their Grand Trunk Pacific liabilities, nor were they able in 1917 and 1918 to pay any interest on that guaranteed preference stock. Therefore I think we may fairly assume that the Grand Trunk Company, if held to account for all their Grand Trunk Pacific liabilities, would not be able at present, any more than they have been able for the past few years, to pay any interest on that guaranteed preference stock. The point raised by the hon. member for Pontiac (Mr. Cahill) and further raised by the hon. member for Joliette (Mr. Denis), and which has not yet been fully answered, is that the Government, notwithstanding the fact that the guaranteed stock does not pay any dividend, undertake in the agreement to guarantee four per cent on that account. That guarantee, therefore, is a pure gift from the Government to the stockholders. But, moreover, the Minister of the Interior (Mr. Meighen) said this afternoon—I think I quote him rightly—that the Government do not give up any portion of their claim against the Grand Trunk Company, and that in valuing the first, second and third preference stock, as well as the ordinary or common stock, the arbitrators will be called upon to estimate the value of such stocks in view of the obligations of the Grand Trunk in respect of the Grand Trunk Pacific. Well, it is possible that the claim of the Government against the Grand Trunk Company will more than offset whatever valuation the arbitrators may put on that first, second and third preference stock. They may say that the Grand Trunk Company are indebted to the Government by reason of the obligations undertaken in respect of the Grand Trunk Pacific in a larger amount than they are entitled to on the valuation of their stock.

This claim of the Government against the Grand Trunk, if it is greater than the amount that the Grand Trunk are entitled to on the valuation of their stock, should be accounted for by deduction from the other amounts that the Government now undertake to pay them for the guaranteed stock. But the Government sets aside this guaranteed stock, puts it with the bonds of the company, and then proceeds to value the rest of the stock, and that valuation may be much lower than the amount representing the claims of the Government against the Grand Trunk in respect of the Grand Trunk Pacific. We do not know at present what will be the claim of the Government against the Grand Trunk in respect of the Grand Trunk Pacific. Last year the