

In order to insure, for the protection of the company as lessees of the eastern division of the said railway, the economical construction thereof in such a manner that it can be operated to the best advantage, it is hereby agreed that the specifications for the construction of the eastern division shall be submitted to and approved of by, the company for the commencement of the work, and that the said work shall be done according to the said specifications and shall be subject to the joint supervision, inspection and acceptance of the chief engineer appointed by the Government and the chief engineer of the company, and, in the event of differences as to the specifications, or in case the said engineers shall differ as to the work, the questions in dispute shall be determined by the said engineers and a third arbitrator, to be chosen in the manner provided in paragraph four of this agreement.

I am not versed in the law, but, speaking as a man who has had a little business experience, I take that to provide explicitly that if the engineers could not agree as to when the work was fully performed they were to refer the matter to arbitration. I do not think any other meaning could be taken out of that clause.

Now, let me go back to the correspondence. Here is a letter to the Solicitor General from Mr. Gordon Grant. It refers to the enclosure sent to Mr. Woods. Some of this correspondence directed by the Chief Engineer to the Solicitor General is merely a repetition of what I have read already. Now I come to the letter of Mr. Chamberlain in reply to the Minister of Railways. I may say so that the committee will understand clearly, that this is a letter in reply to a letter from the Minister of Railways urging the company to make provision of the rolling stock necessary for the operation of this road. Mr. Chamberlain's letter is as follows:

**Grand Trunk Pacific Railway,
Montreal, Can., February 15, 1915.**

Dear Mr. Cochrane,—I beg to acknowledge your communication of the 3rd instant, in regard to the provisions of the agreement of 29th July, 1903, relative to the providing of equipment for the eastern division. In reply I would call your attention to Clause 20 of the agreement, which as you will see provides that "when completed the said eastern division shall be leased to and operated by the company for a period of fifty years." Clause 22 also indicated—

I take it, that should be "indicates."

—quite clearly that the equipment of the value of \$20,000,000 to be provided, of which \$5,000,000 worth is to be supplied for the operation of the eastern division, is to be the first equipment for the completed road. I do not understand that the Government claims that the eastern divisions is as yet completed in accordance with the agreement, and your other letter to me of the 3rd instant bears me out in this. That

being so, you will, I think, agree that it would be improvident and unwise on the part of the company to proceed to acquire under the present unfavourable conditions, equipment involving the expenditure of so large a sum, and which pending the completion of the line would to a very great extent at least, not only remain idle, but materially decrease in value.

Yours very truly,

E. J. Chamberlain.

Hon. Frank Cochrane,
Minister of Railways and Canals,
Ottawa, Ont.

The president of the Grand Trunk Pacific formed the same opinion that I have of the letter of the Minister of Railways, because in making the assertion that the road was incomplete he says: "and your other letter to me of the 3rd inst. bears me out in this." He is convinced by the letter of the Minister of Railways—which, I think, must convince anybody—that in the mind of the Government, while the road might be fit for operation in a sense or partially, it was not completed as provided in the agreement with the company.

This is merely a letter from the Solicitor General forwarding a letter of Mr. Woods to the minister, to which I referred. On March 6, the Solicitor General wrote a letter to the chief engineer, which I think ought to be put on record:

March 6, 1915.

Gordon Grant, Esq.,
Chief Engineer, National Transcontinental
Ottawa.

Dear Sir—Referring to your letter of the 23rd February and to the refusal of Mr. H. A. Woods, acting engineer of the Grand Trunk Pacific Railway Company to sign the acceptance dated 2nd February, 1915, it is to be noticed that Mr. Woods appears to base his refusal upon the claim that the road cannot be said to be completed within the meaning of section 20 of the agreement schedule to the National Transcontinental Railway Act, 1903. Mr. Woods, I presume, has in mind certain portions of the work which at present, or rather at December 31, 1914, the date up to which the audit is being made, may be said to be under construction. I have always understood, both from yourself and from the commission, that although there are such portions that are still under construction, the same are not essential for the immediate operation of the entire line, and consequently that it would not be reasonable to wait for their completion until the said section 20 was acted upon.

Would you be good enough, therefore, to state if in your opinion the eastern division was on the 31st of December, 1914, completed so far as is essential for the efficient operation of the entire line at that time and now. Also, would you kindly detail with such definiteness as you can, such portions as were on such date still under construction, and in respect of which expenditures had been made chargeable against the cost of construction but which were not said to be taken over as part of the leased premises and enjoyed by the lessees. May I