

securities; but that dividend was paid out of money advanced by the Government. It was intended for operation, and not for the payment of a dividend. To that extent the debenture holders were led astray, believing the Grand Trunk Pacific was earning interest on its securities. Later, in 1923 or 1924, the Grand Trunk earnings were sufficient to pay a certain amount of interest on the securities, but there was a question as to the liability of the Grand Trunk, and the situation was quite mixed up and muddled.

This arrangement is to clear up the whole situation in justice to every person. As the honourable gentleman who has spoken (Hon. W. B. Ross) pointed out, 2 per cent will go to sinking fund. In short, it is expected that the amount accumulated will be sufficient to wipe out the liability in thirty-two years. Canadian National securities, guaranteed by the Government—and therefore gilt-edged—will be exchanged for the Grand Trunk Pacific securities, so there can be no complaint on behalf of the security holders that they have not been fairly treated. On the other hand, it is fair to our own great enterprise that it should be given every opportunity to make the best possible showing. After all, it is our property. Knowing considerable about its inception, I am strongly of the view that the House would be warranted in approving of this settlement.

Hon. Mr. CASGRAIN: How much money shall we have to pay? How much is this generosity going to cost the country? The honourable gentleman said that legally the bondholders had no claim.

Hon. Mr. DANDURAND: I have told the honourable gentleman that it is not a question of a debt; it is a question of fact. There is stock to the amount of over £7,000,000.

Hon. Mr. CASGRAIN: Do we have to pay that?

Hon. Mr. DANDURAND: It is £7,176,801. I would point out that we are to pay 4 per cent interest for 32 years, and that will wipe out the capital.

Right Hon. Mr. GRAHAM: You retire the bond issue then.

Hon. Mr. DANDURAND: Yes.

Hon. Mr. BEAUBIEN: In order that this matter may be made clear to my mind, I would ask whether all the debenture stock is cumulative, or not?

Right Hon. Mr. GRAHAM: Against the Grand Trunk Pacific it is cumulative; and against the Grand Trunk it is contingently cumulative.

Hon. Mr. GRAHAM.

Hon. Mr. BEAUBIEN: In other words, this security that the debenture holder had was nothing but a contingent security? They would get their interest so long as the Grand Trunk Pacific earned it over and above the indebtedness on securities as then issued by the Grand Trunk?

Hon. W. B. ROSS: But if the Grand Trunk Railway Company did not earn interest for one year on those bonds, that could not be added to the interest against it the next year.

Hon. Mr. DANDURAND: The cumulative feature was against the Grand Trunk Pacific Company alone?

Hon. W. B. ROSS: Yes, that is right.

Hon. Mr. BEAUBIEN: The position in which we stand to-day, if I understand rightly, is that we owe nothing to these people except in case the revenue is more than sufficient to pay priority liens against the Grand Trunk Railway Company and leaves something over for them; and that was to be the position practically for all time to come. Is that right?

Hon. Mr. DANDURAND: Yes.

Hon. Mr. BEAUBIEN: Then the situation is very clear. We are to pay these people 4 per cent a year on these securities, part of which interest goes then to pay the capital of those bonds. In other words, we have assumed the debt completely, although of course the interest has been reduced. Before this arrangement, Canada did not owe \$35,000,000 to those people at all; we had absolutely no obligation to pay them; but just as soon as this Bill is passed we owe these people \$35,000,000, to be paid out of revenue. In other words, we assume \$35,000,000 of debt, but we ask a long time to pay it. Then do I understand my honourable friend to say that the bonds to be issued will have this feature, that in a certain time the bondholders may benefit by a drawing by lot?

Hon. W. B. ROSS: Yes. There are two stages; one in the first ten years, and another after ten years.

Hon. Mr. BEAUBIEN: Therefore after the first ten years you are going to institute—

Hon. W. B. ROSS: You redeem at par after the first ten years; before that at not less than 60 per cent.

Hon. Mr. BEAUBIEN: But you redeem it only for the people who are fortunate enough to draw good numbers. That is exactly on a par with the bond issue made by the city of Paris. It has been discountenanced by no less an authority than the Criminal Code