

The Drayton-Acworth report, he claimed, said nothing as to arbitrating the value of the Canadian Northern stock, declaring that stock to be of no value. The Drayton-Acworth report had, on the other hand, suggested a means of finding by arbitration the proportion of the stock to which Mackenzie and Mann would be entitled, and the proportion of the future earnings of the road that should be paid to Mackenzie and Mann.

### What Drayton and Acworth Recommended

Under the heading of "Arbitration Recommended," on page 62 of the Drayton-Acworth report there is stated:—

"Under the scheme we propose, the trustees will operate the Canadian Northern lines as part of a combined system. It will be impossible, therefore, for the Canadian Northern Company, as such, ever to earn a dividend on its separate stock. We suggest that, if it is decided to permit the present shareholders to retain a portion of their holding, the Act of Parliament constituting the Board of Trustees shall contain a provision for arbitration between the Trustees and the Canadian Northern Company and establishing an arbitration board to act forthwith. The Trustees should appoint one arbitrator and the Canadian Northern shareholders the other, and the two arbitrators should agree on the appointment of an umpire; failing agreement, an umpire should be appointed by the Chief Justice of the Exchequer Court; and the decision of the board should be final.

"The arbitrators should be empowered to decide two questions:—

"(1) What proportion of the Canadian Northern common stock may fairly remain the property of the present holders;

"(2) What proportion of the earnings of the Dominion Railway Company may fairly be regarded as attributable to the Canadian Northern lines.

"To illustrate our meaning, we will assume that the arbitrators decide that 5 per cent. of the Canadian Northern shares shall remain the property of the existing holders, and further decide that one-half of the total earnings of the Dominion Railway Company will be fairly attributable to the Canadian Northern lines. Then their decision will mean that, out of any dividend declared in future by the Dominion Railway Company,  $2\frac{1}{2}$  per cent. (one-half of 5 per cent.) will be payable to the existing Canadian Northern shareholders or their transferees. We think the arbitrators should fix this resulting percentage once for all. It should be made a condition of the settlement that the minority shareholders of the Canadian Northern should by deed irrevocable appoint the trustees as their proxy to vote their shares. Care will of course be taken to provide that the Arbitration Board shall have regard only to the Canadian Northern lines, as they exist at the date of the passing of the Act, and that any subsequent increase of revenue due to the expenditure of additional public money shall be excluded from consideration."

### Impeaches Sir Thomas White's Motives

In his remarks before the House last week Mr. German stated that it was the first time in his experience that anybody had suggested arbitration to determine the value of something admitted by everybody to have no value whatever. Of course, Mr. German was incorrect in that statement, as his "everybody" cannot include Sir William Mackenzie and associates, who claim that the capital stock of the Canadian Northern is worth par.

There is a grave danger that the suggested board of arbitrators may give an excessive price for the Canadian Northern stock, said Mr. German. In 1914 the government had accepted a par value of \$40,000,000 worth of stock as security for a loan of \$45,000,000. Mr. German said that the board of arbitrators which was likely to be appointed would certainly be unanimous in its finding and that there would be no appeal. He said that there would be the strongest kind of influences at work behind the board.

He then embarked on a strong personal attack on Hon. Robert Rogers, minister of public works, and also upon Sir Thos. White, minister of finance. The creditors of the C.N.R. who would benefit by the government proposals were, he said, personal friends of Sir Thos. White, whose influence had made him a cabinet minister.

### Let Exchequer Court Settle It

Instead of leaving the adjustment of the value of the stock to a board behind which the people would use such influences as these, Mr. German suggested that the matter be referred to Sir Walter Cassels, senior judge of the exchequer court. His decision, whatever it might be, could be accepted without question, said Mr. German. If the government persists in its arbitration proposal, the country will believe that there is some ulterior motive behind the plan, said Mr. German, and in any case it is not the value of the stock that should be arbitrated, but the question of what proportion of the stock should be allotted to Mackenzie and Mann.

### Suggests Centralized Control

In closing, Mr. German suggested that the government should have a policy which would place in a single management the Canadian Northern, Intercolonial, the National Transcontinental, and the Hudson Bay Railway. These should be administered by a board chosen from all parts of Canada, consisting of fifteen business men of high standing, independent of political influence. They should be elected yearly, said Mr. German, by joint ballot of the Senate and House of Commons.

### NEWSPAPER COMMENT RE C.N.R.

"While the public will doubtless sympathize with Sir William Mackenzie in his estimate of par as the value of Canadian Northern stock," says the Montreal Star, "the Street will have little faith in individual-made estimates. It would prefer the broad public market plan, which is, after all, the most satisfying way of getting its values.

"Sir William has spent a considerable part of a very busy career in trying to build up a commensurate value around the shares of the road, in which he and his partner, Sir Donald Mann, hold the majority interest.

"It is very easy for the street to appreciate the angle from which those gentlemen would view the value, and it is only human to place it well up.

"The general public will say: 'Look what we did to make whatever value there is in Canadian Northern shares possible,' meaning the large advances made by the government to the company in the way of bonuses and guarantees.

"The Street will look at the cold facts of the case, and ignore a lot of interesting history in framing up its valuation. What are the company's earnings in relation to its capital liabilities? What does it owe? How much