mentioned and the $2,500,000 interest on the guaranteed stock.

Mr. CAHILL: Since when?

Mr. J. D. REID: Since the guaranteed stock was issued.

Mr. CAHILL: When was that issued?

Mr. J. D. REID: I could not give the date offhand, but it will be found in the sessional paper. I will look it up and inform the hon. member a little later. But I say the Grand Trunk Railway Company was always able to pay that interest and still have a surplus. The company then issued the first, second, and third preference stock, the details of which are set out on page 56 of the sessional paper. The hon. member will see, starting from 1906, that the Grand Trunk Railway Company paid the interest on the guaranteed stock of 4 per cent; on the first preference stock of 5 per cent; on the second preference stock of 5 per cent; and on the third preference stock of 3 per cent, or a total of a little over $4,000,000. If the hon. member will refer to that statement, he will see that between 1906 and 1917 the Grand Trunk Railway Company paid the interest on its guaranteed stock annually, and also the interest on the first preference stock except in 1914 and 1915; and on the second preference stock it also paid the interest with the exception of those two years. On the third preference it paid the interest in 1906 and 1907, and also in 1910, 1911, 1912 and 1913. On the common stock, of course, it never paid any dividends at all. That stock was issued practically at the time the Grand Trunk Railway was built.

Mr. CAHILL: Let us get back to this 4 per cent guaranteed stock. The official reports of the London Stock Exchange show that the Grand Trunk did not pay 4 per cent on the guaranteed bonds all the time during the last ten years. Before that time it paid the interest in various amounts ranging from 2 to 3 per cent. What I want to know is how the Government arrives at the conclusion that this 4 per cent guaranteed stock has a value to-day, if we are to hold the Grand Trunk Railway Company liable for the Grand Trunk Pacific guarantee? In other words, how does the Government figure that there is any equity in this 4 per cent guaranteed stock?

Mr. J. D. REID: The honourable member I think stated that the Stock Exchange reports showed that the Grand Trunk Railway Company had not paid any interest on the guaranteed stock for the last ten years.

Mr. CAHILL: Not all the time.

Mr. J. D. REID: Well, we have the official document submitted to the House showing that the interest on the guaranteed stock was paid from 1906 down to 1916. There is not any doubt whatever about that.

Mr. CAHILL: How about 1914?

Mr. J. D. REID: In 1914 the Grand Trunk Railway Company paid 3½ per cent instead of 4 per cent; in other words, they paid $2,129,166.67 dividends on the guaranteed stock instead of $2,433,333.33, or ½ per cent less. So that, during that ten year period they did pay the full interest with the exception of the ½ per cent in that particular year when the war started.

Now, the Grand Trunk Railway Company is liable in this way: it guaranteed the interest on a certain portion of the Grand Trunk Pacific Railway bonds, and, as I understand it, the company agreed that it would not pay any dividends out of its earnings, until this bonded interest had been first paid. In other words, it defaulted in payment of that interest, it could not pay its shareholders any dividends on their stock. That is where of course the company is in a very awkward position. If the company took the earnings that would ordinarily go to the shareholders in order to pay the interest on the guaranteed stock of the Grand Trunk Pacific Railway, then of course it would not have anything left for its own shareholders. That is why the company is pressing us to get a settlement so that it can be put in a position to pay dividends to its own shareholders.

Mr. CAHILL: Is it the intention then of the Government to hold the Grand Trunk Company to its undertaking?

Mr. J. D. REID: Certainly. The arbitrators must take into consideration the liabilities of all subsidiary companies of the Grand Trunk Company and the Grand Trunk Pacific is a subsidiary company. We do not release the Grand Trunk in any way from responsibility for the Grand Trunk Pacific, and the arbitrators must take that responsibility into consideration. As I said this afternoon, if the arbitrators consider that the future of the Grand Trunk Pacific does not promise anything better than its present outlook, they may wipe it out and not allow the Grand Trunk Company anything on these first, second and third preference stocks.