

ance sheet of June 30, 1916, at \$494,112,489.34. The figure admittedly has been written up to include \$100,000,000 of capital stock. And this stock, as we have already said, was issued without any cash consideration. We have endeavoured to ascertain the actual cost of the system. From the company's official reports and special statements supplied to us, we have ascertained that the maximum cash investment that can have been made in the property is \$383,302,451.33.

So that the proposal before Parliament at the present time is to purchase from the Canadian Northern interests certain stock which the Drayton-Acworth report says is without any cash value. Speaking on the subject of the advance to the Canadian Northern railway in 1914 the Minister of Finance made some reference to the disposition of the stock held by the Canadian Northern railway. He said:

The whole argument against watered stock proceeds upon the basis of the public getting the watered stock and paying for it on the stock market of the world claiming to be entitled to receive dividends on their stock. This \$68,000,000 or part of it may get into the hands of the public and be worth close to par.

The \$68,000,000 of common stock of the constituent and subsidiary companies goes into the treasury of the Canadian Northern Railway Company to stay there.

That was an assurance which members of this House would have reason to accept at its full value but I was somewhat surprised to hear the Minister of Finance read a statement the other evening to the House as to who are the present owners of the common stock of the Canadian Northern Railway Company. Those who are not particularly interested as directors of the company who own the stock are the British Empire Trust Company Limited holding \$324,000, John Aird and H. V. F. Jones in trust \$1,000,000, and Mackenzie Mann and Company Limited \$58,614,000. In regard to the stock held by Mackenzie Mann and Company the minister read the following letter from their secretary:

Mackenzie, Mann & Co., Limited,
Toronto, August, 21, 1917.

Hon. Sir Thomas White,
Minister of Finance,
Ottawa, Ont.

Dear sir:—

With respect to the \$58,614,000 of stock of the Canadian Northern Railway Company standing in the name of Mackenzie, Mann & Company, Limited., \$51,000,000 is wholly the property of Mackenzie, Mann & Company, Limited; \$2,000,000 is held in trust for certain officers and employees of long standing in the company; \$1,600,000 is deposited with the province of British Columbia; and the balance, namely \$4,014,000, is held by Mackenzie, Mann & Co., Limited, pending uncompleted financial arrangements for distribution

of same amongst Mackenzie, Mann & Company, Limited, Lazard Bros., London, England, and British Empire Trust Company, London, England.

Yours truly,

R. A. Macdonald,
Pro Secretary.

So you will see that the promise made by the Minister of Finance in 1914 that as regards the common stock of the company the door would be shut tight and it would be kept in the treasury of the Canadian Northern railway has not been realized. Now with respect to the legislation before us, I read from the statement of the Minister of Finance delivered on the same occasion. At page 3943 of the session of 1914 he said:

What security have we? I have seen a good deal of financing in my time, and I know something of law although my Hon. friend from Pictou (Mr. Macdonald) does not think so, and I want to say this: I have never seen as effectual a means of entering into possession of a property upon which a mortgage is held as has been devised by the Solicitor General in connection with this transaction. And further—he will not mind this coming from me—I take off my hat to the Solicitor General for the way he has performed the legal work in connection with this transaction which is one of the most complicated that has ever come before the House.

He was speaking of the clause in the legislation of 1914 which would enable the Government, upon the company making default in the payment of interest, to take possession of the property and dispossess the Canadian Northern Railway Company without any other or formal proceedings by way of foreclosure or otherwise. It is intended to be argued, as it was argued by the Prime Minister a few days ago, that such action on the part of the Government would be drastic and would be in the nature of confiscation. We all remember the very strenuous fight that was put forward by the Solicitor General and the Minister of Finance in 1914 to enable them to get through the House of Commons the legislation which permitted the Government to advance the \$45,000,000 to the Canadian Northern Railway Company. We know there was a divided party among the Government supporters. The hon. member for Calgary (Mr. R. B. Bennett) and the hon. member for Kingston (Mr. Nickle) both made very strong speeches against the proposal, and it was only after the Minister of Finance had made an express and specific promise that the common stock of the Canadian Northern railway would remain in the treasury of that corporation and that the Government