

can be turned into cash at the present time, and they take their chances of losing a little or gaining a great deal.

There is just one other thing I should like to say. I should like to know, if the honourable gentleman can tell me, whether this is the final demand on the part of these people, or whether there is a sort of Oliver Twist situation—whether they are going to ask for more. Are we going to have an organization of the common stock holders one of these days? I think we ought to know something about that in making a contract of this kind.

Hon. Mr. CASGRAIN: May I ask the honourable gentleman, not only as a Senator, but as a lawyer, do we owe this money or do we not?

Hon. W. B. ROSS: The situation is a very simple one. There is a perpetual 4 per cent debenture outstanding on the Grand Trunk Pacific, which is guaranteed by the Grand Trunk. We acquired the Grand Trunk, and we are liable only where the Grand Trunk would be liable—that is, to pay interest on these perpetual debentures providing we earn it.

Hon. Mr. DANDURAND: After the fixed charges are paid.

Hon. W. B. ROSS: The operating expenses and the fixed charges. There has been some controversy in regard to that. It is not a question of good faith or bad faith, but one between accountants. We have no concern beyond that. If we get the money we are to pay.

Right Hon. GEORGE P. GRAHAM: Honourable gentlemen, as this is a matter in which I have taken some interest and had some part, perhaps I may be permitted, as a new member, to say a word.

I agree in large measure with what the honourable gentleman (Hon. W. B. Ross) has said. With other members of the Government I heard the claims of the Grand Trunk Pacific 4 per cent debenture stockholders on several occasions, and invariably we took the ground that they could not be in any worse position than they occupied before the Government took over the Grand Trunk, as in taking it over we assumed the liabilities.

On one or two occasions they raised this point—and in referring to it I do not think I am giving away any secret—that in the taking over of the Grand Trunk, certain securities were made senior to theirs which in their humble judgment should have been junior. Of course the Government never ad-

mitted that contention. If it were correct, one could see the reason for the attitude assumed by the debenture holders, because the Grand Trunk would have to earn more money than it otherwise would, before it received sufficient to pay their interest. In London, on one or two occasions, this matter was brought to the attention of the then Prime Minister, the Minister of Justice, and myself, by representatives of the debenture stockholders. We took the view very strongly that there was no legal liability, and I am inclined to think that the debenture stockholders themselves believed that.

But certain conditions existing in Canada continued to make it very difficult for the Canadian National economically and successfully to manage this business. On the one hand there was the Grand Trunk, in which an accounting had to be made regularly and accurately with one point in view, namely, whether, under the earnings of the Grand Trunk, the debenture holders were entitled to payment. On the other hand, a separate accounting had to be kept by the receiver of the Grand Trunk Pacific to see whether that company was earning sufficient to pay any of the interest on the securities.

Last summer I was over in England on private business, or pleasure, and without any official right, and quite unofficially, I consented to have a chat with at least one member of the committee that was appointed to discuss this matter. That committee was headed by the Right Hon. Reginald McKenna, who is perhaps one of the leading bankers in London. He assured me that the committee was not appointed for the purpose of acting for the debenture holders, but, being aware of the relationship that existed between Canada and the Motherland, he and his colleagues were anxious to see if, for the benefit of all concerned, some arrangement could not be made by which this debenture stock could be retired. This would relieve the tension which existed and remove some of the difficulties, the least of which was not that of the management of the Canadian National in having to do all this accounting and being subject to audits, and that kind of thing. I had no authority to talk with him at all. We simply chatted as men. I was impressed with his sincerity in trying to find a way out for everybody, if it could possibly be found; and, while I would not want the House to think I took part in the negotiations—far from it—I was impressed very much by the suggestions put forward on both sides for the settlement of this difficult situation.

I think it is true that the Grand Trunk Pacific Company did pay a dividend on the