

2. The Minister of Finance commented upon the situation referred to in Mr. McNair's telegram. The Premier of Saskatchewan had raised no objection to the proposed settlement with British Columbia; the Premier of Manitoba had seen difficulties and had the matter under consideration. If these Provinces and New Brunswick pressed objections to the agreement with British Columbia, it could not be concluded on the terms settled with Mr. Hart and negotiations would have to be undertaken afresh, in due course.

3. The Cabinet, after considerable discussion, agreed that, for the present, no action be taken other than acknowledgment of the Premier's telegram.

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4. The Minister of Transport, referring to the decision taken at the meeting of November 27th, commented upon the views expressed in the memorandum submitted by the Deputy Minister of Finance upon the C.N.R.'s income bonds proposal.

5. The Minister of Finance suggested that, in view of objections which had been raised to the Railway's proposal respecting income bonds, it might be preferable to return the government held obligations to the Company for cancellation, replacing them by a direct government advance upon which interest could be paid only if earned. The position would be the same since the Railway was wholly owned by the government; at the same time the Company's fixed charges would be reduced.

(Memorandum, Deputy Minister of Finance, Nov. 27, 1946 - Cabinet Document 341).

6. The Cabinet, after considerable further discussion, agreed that it would be satisfactory if settlement were made along the following lines:

the fixed charge demand notes of the Company presently held by the government as a result of repatriation of sterling securities to be replaced by a direct government advance which would appear as such in the public accounts; interest thereon to be paid only when earned; all bonds of the Company presently held by the government in this connection to be returned to the Company for cancellation.

It was also agreed that officials of the Railway and the Department of Finance confer with a view to making arrangements accordingly.

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