taking place between the Government and the Grand Trunk.

Mr. MEIGHEN: The hon. gentleman knows better than that, because he is a lawyer. We are arbitrating on the value of the shares. The Government is an entity on the one hand and the company is an entity on the other. The value is one thing and the debts owed to the Government are owed to the Government still. We may not be able to collect them, but we will be just as able to collect them as we are to-day. The company will not be worth one dollar less or one dollar more; it will be just in the same position exactly.

Mr. VIEN: The minister does not wish to convey the suggestion to the committee that this arrangement that is proposed does not close the transaction between the Government and the company?

Mr. MEIGHEN: It does not close them or open them up; it leaves them exactly as they are. We are arbitrating the value of the stock owned by the shareholders and not the value of anything owned by the company.

At six o'clock the Committee took recess.

After Recess.

The Committee resumed at eight o'clock.

Mr. CAHILL: Does the Government intend to hold the Grand Trunk liable on the Grand Trunk Pacific agreement?

Mr. J. D. REID: The guarantees of the Grand Trunk Company with reference to the Grand Trunk Pacific have been mentioned two or three times to-day. Of course, the Grand Trunk will be held responsible for those guarantees in the arbitration proceedings. That is one of the things that the arbitrators must take into consideration.

Mr. CAHILL: What annual expenditure would it involve on the part of the Grand Trunk to live up to those guarantees?

Mr. J. D. REID: In the papers that have been submitted there is a list of the bonds guaranteed by the Grand Trunk Railway, showing the total amount of interest liability. I quoted the list this afternoon. If the hon. gentleman will refer to page 51 he will read the following:

Guarantees by the Grand Trunk Railway Company have been made for the Grand Trunk Pacific of $97,301,253—$62,422,000 for principal and interest and $34,879,253 for interest only. Detail of this is in an attached statement. $25,000,000 of the foregoing total of $62,422,000 is guaranteeing loans made by the Dominion Government.

That is the answer.

Mr. CAHILL: How does the Government arrive at the conclusion that the Grand Trunk is able to pay this liability of something like six or seven million dollars interest annually in respect of the Grand Trunk Pacific, also to discharge the interest on the debenture stock and on the 4 per cent guaranteed stock, and still leave an equity to be arbitrated? Where does the minister get his figures from?

Mr. J. D. REID: The hon. gentleman will remember from the discussions that have taken place from time to time with reference to the loans made to the Grand Trunk Pacific that the Grand Trunk Railway Company has never paid out of earnings of the Grand Trunk Railway system any of the interest on the Grand Trunk Pacific guarantees. The interest on the guaranteed mortgages of the Grand Trunk Pacific have always been paid out of loans from time to time advanced by the Government. So that the old Grand Trunk system always had its full earnings to pay the interest on its debenture stock, its guaranteed stock, and its first, second, and third preference stock; and, as has been shown, it always earned sufficient money to pay the interest, say $7,000,000 in round figures, on the original debenture stock issued for the construction of the old Grand Trunk railway and the purchase of the Great Western railway.

Mr. CAHILL: What does the minister mean by always? The Grand Trunk Railway was incorporated in 1851.

Mr. J. D. REID: From 1851 onward the Grand Trunk Railway system always earned sufficient to pay interest on the debenture stock issued for the construction of the old Grand Trunk railway. Some years later—the date will be found in this sessional paper—the Grand Trunk Railway Company purchased the Great Western line and issued further debenture stock. From the time the company purchased that line it always earned sufficient to pay interest.

Mr. CAHILL: On what?

Mr. J. D. REID: On the debenture stock issued for the purchase of the Great Western. Later the guaranteed stock was issued. Therefore, after having issued that guaranteed stock for other construction and improvements, the company was always able to earn a sufficient amount to pay the $7,000,000 interest on the stocks that I have