

is detrimental to the railway and unfair to the present management. I have reached this opinion only after much study and discussion with the officials of the railway. Some of the arguments leading up to the recommendations are set out in the attached booklet and I hope when your heavy duties permit a little leisure time you will kindly read the memorandum.

Yours truly,

C. P. Fullerton, Chairman.

As a matter of fact, Mr. Fullerton made it appear at the meeting of the committee that the proposal which was left with me by him was of the auditors, and that the trustees had never accepted that statement, or made any recommendations. In fact, they had considered the matter on several occasions, and ultimately no further action was taken because of the receipt of the letter which I sent on May 15, 1934. It will be observed I raised no objection to cutting down the capital stock as it appears in the public accounts of the company, as being the aggregate of the value of stocks representing the Grand Trunk and Canadian National, but that the investments made by the Dominion of Canada should be shown in the report, the investments only,—and I still think that is desirable. But with respect to the second point, namely, the undesirability of altering the structure at all at this time I made it clear on several occasions to this house why I thought action should not now be taken.

While I was not here, namely, on March 22, 1935, the privy council granted to Mr. Lovibond, the right of appeal. I think it might be well, in order that this matter may be clearly understood by every hon. member, that I should recite the facts as indicated by the documents filed with the privy council. A petition of right was directed to the Secretary of State for Canada asking for a fiat to issue, to take proceedings against the crown on January 17, 1929. That fiat was refused. Then Mr. Lovibond brought action, and I believe it would be well to indicate from the statement of claim just what his position was. The statement of claim was delivered on March 14, 1932, the action having been begun by a writ issued December 26, 1931. Mr. Lovibond alleged:

(1) The Grand Trunk Railway Company of Canada (hereinafter referred to as "the Grand Trunk") is a company incorporated in the year 1852 by special act of the legislature of the province of Canada. Down to the year 1923 it operated an important system of railway communications in Canada and the United States of America. Under its act of incorporation and amending acts, its principal office was located in London, meetings of directors and

stockholders were held there, a stock register upon which transfers of the stock in question in the action were registered was kept in London, and almost, if not quite all of the capital stock of the Grand Trunk was held by persons resident in Great Britain. (See paragraphs 3, 6 and 7).

(2) At all times material to the action the issued capital stock of the Grand Trunk consisted of:

4% Guaranteed stock	£12,500,000
First preference 5% stock	3,420,000
Second preference 5% stock	2,530,000
Third preference 4% stock	7,168,055
Common stock	23,955,437

£49,573,492

In addition there was outstanding debenture stock of the Grand Trunk amounting to £31,926,125, the holders of which were entitled to voting privileges at general meetings of stockholders (see paragraph 8).

(3) Your petitioner was on the 18th of January, 1923, a registered holder of £100 first preference stock, £100 second preference stock, £700 third preference stock and £1,100 common stock of the Grand Trunk. There had also been assigned to him in November, 1931, £1,200 first preference stock, £1,100 second preference stock, £1,700 third preference stock and £900 common stock of the Grand Trunk (see paragraphs 1, 25 and 28).

(4) Your petitioner has been illegally dispossessed of his stock by certain acts of the parliament of Canada, agreements and orders in council, all of which your petitioner submits to be ultra vires in whole or in material parts.

By the Grand Trunk Railway Acquisition Act, 1919, the Minister of Railways and Canals of Canada was authorized to enter into an agreement with the Grand Trunk for the acquisition by the crown of the entire capital stock of the Grand Trunk (except the four per cent guaranteed stock), the agreement to provide for the determination by a board of arbitrators of the value of such stock, subject to a specified maximum, and to be submitted for the approval of all the stockholders of the Grand Trunk, including holders of debenture stock and guaranteed stock (see paragraph 11).

(5) The draft of an agreement to carry into effect the terms of the last-mentioned act was submitted to what purported to be a general meeting of stockholders of the Grand Trunk held in London on the 19th of February, 1920. At this meeting the debenture holders and guaranteed stockholders (who were under the agreement to be assured of the full interest and capital of their holdings) were allowed to vote with the rest of the stockholders and the agreement was approved by a majority of those present in person or by proxy (see paragraph 13).

(6) By a statute of the parliament of Canada assented to on the 11th of May, 1920 (10-11 Geo. V. c. 13) the parliament purported to confirm and ratify an agreement dated 8th March, 1920, made between the Minister of Railways and Canals of Canada on behalf of the crown and the Grand Trunk. Under this agreement the crown undertook to acquire