

Mr. MEIGHEN: It would not have been able to within the last two or three years. The Grand Trunk Pacific paid its own dividends, but it paid them because we lent them money, on the security of the Grand Trunk Pacific, to do so. Now, the Grand Trunk has its own liabilities in relation to the Grand Trunk Pacific. If, in the minds of the arbitrators, those liabilities are greater than the Grand Trunk Pacific is security for, the award will be reduced accordingly. But we will certainly argue—and I think correctly—that if the Grand Trunk Company is called on to discharge its liabilities to the Grand Trunk Pacific, the fact being that the Grand Trunk Pacific cannot discharge them itself, then they would be in a position to pay dividends on these four stocks.

Mr. FOURNIER: If the Grand Trunk Pacific went into liquidation or failed to earn its fixed charges, would not the old Grand Trunk have to pay about \$3,000,000 a year interest on the Grand Trunk Pacific bonds which are not guaranteed?

Mr. MEIGHEN: Yes, or more than that.

Mr. FOURNIER: If it paid interest on these bonds would there be any possibility of its paying dividends upon any of its preferred stock?

Mr. MEIGHEN: There would be a possibility, of course.

Mr. FOURNIER: If it did not pay, then what would be the value of the preferred stock?

Mr. MEIGHEN: I would not be a very good judge of that. One reason that would make it difficult to judge of that would be that the common stock lies there for which \$30,000,000 was paid but on which no dividend has ever been paid, and the prospect has never been darker than the last year. But it has always had a value. It would be impossible for me to say that the preferred stock would have no value.

Mr. FOURNIER: My hon. friend must have all the information. Would he read to the Committee the letter written by Sir Alfred Smithers to Sir Robert Borden three years ago in which the statement was made that the Grand Trunk was at the end of its tether?

Mr. MEIGHEN: I have read the letter.

Mr. FOURNIER: Will the Government say that it is possible for the Grand Trunk to earn enough to pay a dividend upon its debentures and guaranteed stock and also [Mr. Fournier.]

to pay the interest upon the Grand Trunk Pacific bonds which it has guaranteed?

Mr. MEIGHEN: We certainly would not say it could. We will argue that it could not. The Grand Trunk, on the other hand, say: "We ought to be permitted to make a revenue, and we certainly cannot make it unless we are given rates which are reasonable under conditions such as now obtain." In a word, everything depends on rates. It would be possible for them to do it if the rates were higher, but the Government will argue that to keep the rates at a reasonable figure, having regard to all conditions, they could not discharge their obligations to the Grand Trunk Pacific and pay dividends on the preferred stock or any stock. That is our contention.

Mr. FOURNIER: Will the minister say, in view of its commitments in respect to the Grand Trunk Pacific, that the Grand Trunk Railway Company of Canada is a solvent concern?

Mr. MEIGHEN: Well, we will argue that they could not pay dividends and discharge all their obligations. But I am sure the Grand Trunk will argue very strenuously that they could. I am not in the position of a judge in the matter; that will be for the arbitrators to decide.

Mr. FOURNIER: If it is not a solvent concern how can either its preferred stock or any stock have any value, and what is there to arbitrate?

Mr. MEIGHEN: If the judges find that it is not solvent they will find that the value is nothing; that is all. My hon. friend must see that the long series of questions he has asked rests on the answer to one, and when that answer is given there is not very much object in answering the rest.

Mr. FOURNIER: The minister will pardon me if I put another question. Could not the Government obtain the Grand Trunk by liquidation without paying anything for either preferred or common stock?

Mr. MEIGHEN: That is something which, to answer with certainty, would require the gift of prophecy as well as of business judgment. It would depend upon many circumstances. It would depend upon the action of the Railway Commission with regard to rates, and also upon the attitude and intentions of other railway people as to the Grand Trunk. It might well be that there are railroad people in the