

GOVT. PLAN LIKE BUYING A HOUSE WITH MORTGAGE

D. D. McKenzie Points Out G.

T. R. Has Many
Liabilities.

A STAMPEDE TRICK

Government Trying to Rail-
road Bill Through,
Says Fielding.

OTTAWA, Oct. 16.—The debate on the Grand Trunk resolution was resumed in the House this afternoon by Sir Thomas White, who said it had been his intention to speak on the second reading of the bill, but as the present discussion had taken on a general character he had decided to speak on the resolution. In opening, he wished to say that the policy of the Government in acquiring the Grand Trunk Railway System had his hearty and unqualified support. In fact, he failed to see how the Government could do anything else when the railroad situation and the transportation needs of Canada were taken into consideration.

Sir Thomas said that it was not his intention to go into details with regard to the financial situation of Canada's transcontinental railway systems. Already a great deal of light had been shed upon this subject. He proposed to touch upon certain salient features of the matter. In the first place, he thought that everyone in the House would agree that Canada was over-built with transcontinental railroads. Right at our door were four or five roads paralleling each other between Toronto and Montreal. It was idle to imagine that there was any need for this duplication of railroads. The blame doubtless rested on both parties, and the problems were too grave to waste time in quarrelling over responsibility.

Reviewed Situation.
The former member of finance went on to review the situation which has developed as the result of the acquisition of the Grand Trunk Pacific road and the extension of Canadian Northern lines to the east. His own view, he said, has been that the Grand Trunk Railway, with its strong lines in the east, should have been joined up with the Canadian Northern system in the west, thus forming a transcontinental system. If that had been done we would now find ourselves with two transcontinental railway systems, both of which would have a fair chance of successful operation.

The construction of the Canadian Northern Railway in Western Canada has increased the production capacity of the prairie provinces to a great extent, but under the system followed in transcontinental lines there had been a wasteful duplication, to the detriment of the entire country. Freight rates had been increased to help the three roads meet their obligations. The railway situation was the most important problem before the country prior to the war. Its settlement had been shelved during the war years, but it was not natural that the matter should again come before Parliament.

The Drayton Report.
Sir Thomas said that the railway situation from 1911, when the Liberal Government had guaranteed the bonds of the Canadian Northern Railway to the extent of \$35,000,000, for construction of the line from Montreal to Port Arthur, to the time when the present Government had taken charge. Large loans were required every year, and in 1915 it was decided that the country could not continue paying out large sums and allow the road to stay in private hands. That decision had led to the appointment of the Drayton-Acworth commission. The majority report of that commission was a historic document, and the recommendations met with general approval. It had recommended the taking over of the Canadian Northern, Grand Trunk and Grand Trunk Pacific lines and the linking of eastern and western lines to make two great transcontinental systems, with the Canadian Pacific Railway.

"I am not in any way favorable to taking over the Canadian Pacific Railway system," said Sir Thomas. "I think most people in Canada will agree that it has rendered most efficient service during the war years."

In carrying out the recommendations in the Drayton-Acworth report, the Canadian Northern had been taken over and associated with the Intercolonial.

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Was inevitable. Sir Thomas then dealt with the Grand Trunk Pacific matters, and said that the acquisition of the Grand Trunk Railway of Canada by the Government was inevitable. The road had been placed in receivership in February or March last. During the preceding summer the Grand Trunk Railway had appealed for assistance. It was involved with the Grand Trunk Pacific to the extent of one hundred million dollars, while the Dominion Government's share in the road was about \$145,000,000.

Sir Thomas said the road must inevitably have sought the assistance of the Government. Sir Thomas, referring to financial aspects of the acquisition, remarked that it was often argued that when a government took over a railway the national debt was increased to the extent of the outstanding liabilities. But such a liability was a marginal liability. It was not a liability to the full extent of the outstanding securities. There were the assets of the company to be taken into consideration in the way of revenues.

Policy Unchanged.
Sir Thomas thought that the Government would have been derelict in its duty had it delayed in bringing the resolution down to the House. Arbitration, he added, had been open to the Grand Trunk from the first. There had been no change in the Government's policy.

Sir Thomas referred to the splendid part which had been played by Canadian railways during the war. He emphasized the fact that Canada would have been unable to do so without the railways of Canada must be kept in such a condition as to discharge the functions for which they were designed. Personally, he would look with pride upon the establishment of a great national transcontinental railway system in honorable competition with the Canadian Pacific Railway. If such a system were to be a success, however, policies must be eliminated in its management and operation. The best man available must be secured to run the system. The question of whether they came from any particular province or section of the Dominion was of no importance. Efficiency and capability in railroad matters should be the test.

Sir Thomas declared he was of the opinion that the Canadian public would not agree to the granting of any more large advances to private railway companies. He thought the public would agree to advancing money to railway systems owned by the Government.

Grave Doubt.
Hon. W. S. Fielding expressed very grave doubt as to the possibility of desirability of taking national railway systems of Canada out of politics. He did not mean politics in the tricky, unwholesome sense. Politics, in the proper sense, simply meant the transaction of the business of Canada. Surely the running of Canada's own railways was a part of the business of the Canadian people and should be controlled by Parliament.

At the present time, said Mr. Fielding, thousands of persons were asking why the Government was attempting to stampede the House of Commons into running through this most important legislation in the dying days of a session which was called for an entirely different purpose. The session had been called for the purpose of dealing with the peace treaty, when suddenly the House found itself confronted with a very different proposition which required careful consideration.

Many members had already gone away, some had gone home, some were on their way to Europe, not half were in the House. Of 235 seats there were only 96 votes cast in a division yesterday. The matter was being railroaded through the House while half the members were absent. It was not old legislation, either, as far as the House was concerned, for not more than one out of twenty members were fully conversant with the facts.

Hon. Arthur Meighen said the Liberals were opposing this measure on the same grounds as they opposed everything brought before them. The member for Queens-Shelburne opposed any addition to the Canadian Northern system, but the latter was incomplete and, if left as it stood today, would defeat public ownership in Canada.

No Time Like Present.
He asked what evidence Mr. Fielding had that there was an attempt to railroad this measure through the House. Certainly the close of the session had been anticipated, but that did not mean that the session was closed. Yesterday's vote was not anticipated for many reasons, and it was easily understood that many members who were in the capital were not in attendance at that time. There was no time like the present, said Mr. Meighen, and the session was not going to end before the Opposition had been given every opportunity to discuss this measure. He asked Mr. Fielding how he would absolve those members who had gone home, when it was clearly their duty to remain in Ottawa for the transaction of the country's business.

In regard to stock jobbing across the Atlantic on the strength of some rumor, Mr. Meighen said the same information which had reached the London market on Sept. 18 had been published in Canada papers. It was not official, however, and Canadians had the same opportunity of acting upon it as had British stock buyers.

Action of this kind by any Government was bound to result in an increase of stock values. He reminded Mr. Fielding of the "drama of 1907" when the stock of the Grand Trunk had advanced in London as a result of Canadian Government action.

Merely Conjecture.
On October 10, an understanding had been reached with the Grand Trunk officials which made it advisable to bring this legislation before the House. Any information published prior to that time was merely conjecture.

Mr. Fielding suggested that the government should permit holders of guaranteed stock of the Grand Trunk Railway Company to retain it, paying them a dividend if the road earned it. Mr. Meighen regarded as impracticable. This would mean, he said, that Canada would have constantly to revise these stockholders an accounting. It would be impossible to merge the Grand Trunk system with the Canadian National Railways if this guaranteed stock were left in the hands of its present owners. They would want it. The Grand Trunk system operated as a distinct entity so that they might know the exact earnings of the road and whether or not they were entitled to a dividend. Another difficulty with the suggestion was the fact that these shares carried voting power. Could the Government of Canada go into partnership with some fifty thousand Grand Trunk shareholders over in England in the Grand Trunk Railway Company? The plan was impossible and unsound.

Mr. Jacobs asked if the acquisition of the Grand Trunk was due to fear that the Canadian Pacific Railway might acquire it.

Mr. Meighen: "That was one powerful reason."

Mr. Jacobs asked if that was the reason, too, why the Canadian Northern was taken over.

Again Mr. Meighen said that in his view it was a powerful reason.

Mr. Jacobs: "And the Grand Trunk Pacific?"

No Danger of That.
Mr. Meighen: "There is no danger of the Canadian Pacific Railway acquiring the Grand Trunk Pacific Railway. It is a lumping, halting, utterly bankrupt institution, and leaving the Grand Trunk free of its obligations."

With the lining up of the government and the avoidance of duplication of capital investment," Mr. Meighen went on, "the country would save a hundred million dollars in capital. The investment of the money saved would be more than sufficient to pay the award of the board of arbitration, and the interest on the guaranteed stock in all human probability, and there would probably be a balance, and possibly more millions besides."

Mr. Fielding argued that the award of the arbitration board should be subjected to the approval of parliament. In guaranteeing the four per cent guaranteed stock, the government, Mr. Fielding said, was adding forty points to its value, or about twenty million dollars at least.

P. S. Cahill, Pontiac, asked the minister to give the exact total of lia-

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lities the country was asked to assume in taking over the road.

Hon. Dr. Reid replied that the figures were all in the correspondence. Canada assumed the liability for interest on the debenture stock, amounting roughly, to \$7,000,000, and on guaranteed stock to the extent of \$2,000,000. Revenue from the Grand Trunk should be sufficient to pay these, and any other amounts which might arise. On the stock which was to be the subject of arbitration, the government would pay interest at the rate of four per cent based on the amount of the arbitrator's award. As to the bonds for equipment, these were the equipment to stand against those.

Include Subsidiaries.
Mr. Sinclair asked as to the disposition of subsidiary companies and their indebtedness. Hon. Dr. Reid replied that if the Government took over the Grand Trunk these subsidiaries were included.

Mr. J. H. Sinclair asked whether the liability of Alberta and Saskatchewan under guarantees which they had given to the Grand Trunk would be preserved if the Government should acquire it.

Mr. Meighen replied that these provinces would still be responsible for their guarantees. Dr. Reid added that since the Grand Trunk Pacific went into the hands of a receiver, the Government must meet before it would actually have the road. It was like buying a mortgage house. You had the house, but the mortgage remained and would have to be paid.

Hon. Newton Wesley Rowell, replying, said that a man who bought a house was the owner, regardless of any mortgage which he might give. With a railway, the same rule would hold. There was no railway in existence without outstanding obligations. In fixing a valuation the arbitrators must take into consideration both the assets and liabilities.

Mr. Meighen replied that he, personally, agreed with Mr. Cronin's opinion. He thought that the arbitration board would probably not allow the market quotations to enter to any great extent into the consideration.

Mr. Denis asked if there would be any appeal from the findings of the board. He was told there would be no appeal if the findings were unanimous.

D. D. McKenzie failed to see how the arbitrators could ignore market quotations in arriving at the value of the stock to be arbitrated. The Government was getting the road. But inquiry showed that there were a lot of liabilities which the Government must meet before it would actually have the road. It was like buying a mortgage house. You had the house, but the mortgage remained and would have to be paid.

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