

Sir ROBERT BORDEN: Then, why should you dismiss claims secured on only part of the property?

Mr. GERMAN: What I say is this, and I am coming to the last point in regard to the matter. This point was raised the other day by the hon. member for South Renfrew (Mr. Graham). I refer to speculation in those unsecured claims. By expropriation proceedings we would know how much money from those unguaranteed securities went into this road; how much money was actually advanced. Hon. gentlemen must remember that as soon as this scheme passes through this House, those securities will rise enormously in value, and there will be an enormous amount of speculation in them. The Government will have to pay 100 cents on the dollar for security which, so far as benefit to this road is concerned, yielded only about 60 cents on the dollar, or there will be forty or fifty million dollars paid to the holders of those securities to recompense them for securities on which they paid only, perhaps, 50 per cent of the money which they are getting. That is why I raise that point.

Mr. MEIGHEN: On what securities did they only receive 60 per cent? No securities in the world are of that character. There were securities sold slightly under par on a $4\frac{1}{2}$ per cent basis and some on a $3\frac{1}{2}$ per cent basis, which have since gone down in value because money is worth more now than it was then; it is worth more to the Government to-day than it was then. It might not pay the Government to discharge those securities.

Mr. GRAHAM: The securities of some of the subsidiary companies.

Mr. MEIGHEN: They did not sell down to 60 per cent.

Mr. GRAHAM: They fell to 70 per cent.

Mr. MEIGHEN: All the securities sold fairly high.

Mr. GERMAN: Under the Government's proposition, the position would be that the creditors could dictate terms, whereas under expropriation proceedings, we would be able to dictate terms. I am not suggesting that the Government should repudiate by a fraction of a cent any proper liabilities of the Canadian Northern railway, but by expropriating, the Government would be in a position to dictate the terms and do justly by those people without allowing them to rob the treasury of Canada, as I am afraid they will do if the proposition of the Government is adopted.

[Mr. German.]

The Government is purposing to refer to a board of arbitration the question of the value of this stock. This is the first time in my experience in matters of this or any other kind that a proposition was ever made to refer to arbitrators the question of fixing the value of something which every one admits has no value. Every one, in this House or out of it, knows full well that the report of Messrs. Drayton and Acworth as to the value of that stock is absolutely correct, and they report that that stock has no value. Let us see what they say, and it is proper that this should appear very fully on Hansard. In the first place, at page 41 of their report, they speak of the value of the Canadian Northern undertaking. They estimate the value from three separate points of view—from the point of view of the cash investment, from the point of view of the physical basis, and from the point of view of its value as a going concern. They say, from the point of view of a cash investment, that the maximum cash investment that can have been made in the property is \$383,302,451. That is based on the report of Professor Swain, the highest possible authority on railway matters. According to the balance sheet, the liabilities against the company, without considering the value of the \$100,000,000 of stock of the parent company and the \$5,000,000 of stock of subsidiary companies, amount to something over \$470,000,000. As to the cash investment, \$383,000,000 actually went into the property, and there are liabilities amounting to \$470,000,000 against it. On that basis the commissioners find that \$383,000,000 would be the maximum possible cost of the Canadian Northern Railway system as at present existing. In other words, it is frankly admitted by Canadian Northern witnesses that the shares represent no cash investment.

What about the physical basis? The cost of reproducing is calculated in the same way, and the figures are to be found on page 43 of the report. The commissioners give practically a summary of their previous finding. They say:

We find then that, on the physical basis, the value of the property of the Canadian Northern shareholders is distinctly less than the amount of the liabilities against it. On this basis the equity of the shareholders must be regarded as non-existent.

Mr. BURNHAM: Does not my hon. friend think that if the stock cost nothing or next to nothing, it would be good business to get control of the Canadian Northern in that way?