

ties of the Grand Trunk or of any company comprised in the Grand Trunk system. The Grand Trunk shall also refrain, without such approval, from declaring any dividends on any of the capital stocks.

It must be understood that the new guaranteed stock, and the present guaranteed stock may be called in by the Government or the company at par, at any time after thirty years from the date of appointment of the Managing Committee on six months' notice by advertisement to the holders thereof.

The Grand Trunk Superannuation Fund shall continue in existence and shall continue to be administered as at present and in accordance with the rules and regulations governing the same. The rules and regulations of the Grand Trunk pension system shall continue to be applicable to employees of the Grand Trunk system until a general pension scheme applicable to all employees of Canadian Government-owned or controlled railways shall be adopted and become effective. The rules and regulations of the Grand Trunk Insurance and Provident Society shall continue to be applicable unless and until the Government shall adopt and make effective a general insurance scheme applicable to all employees of Canadian Government-owned or controlled railways. In no case shall any acquired rights or vested interests in either the pension system or the Insurance and Provident Society be affected.

Yours very truly,

(Sgd) Arthur Meighen.

To that letter I received to-day the following reply from Sir Alfred Smithers:

October 10, 1919.

Dear Mr. Meighen,—

I have taken communication of your letter of the 9th instant, relative to the proposed acquisition by the Government of Canada of the control of the Grand Trunk Railway system, which correctly embodies our understanding on the subject.

Yours faithfully,

(Sgd.) Alfred W. Smithers.

It will be observed that there is a change in the form of the subject matter to be submitted to the board of arbitrators as set out in the letter of October 9, which embodies the final understanding, from that set out in the letter of the 11th of July, 1918. In the first letter the intention was that should the company agree to arbitration, the subject matter of the arbitration should be the rental value of all the property of the Grand Trunk system for a period of 999 years. The reason for the change is that a close examination of existing conditions of the Grand Trunk system, as a system, and of the various relationships between the component parts of the system, made it an impractical matter for the Grand Trunk to lease the system. In this connection I need only refer the House to the position in which the Grand Trunk Pacific Railway Company now is, namely, in the hands of a receiver.

That fact alone will appeal at once to hon. gentlemen as an impediment. A still larger one, however, is the condition in which the American roads now are—the main roads, if not all, in the United States belonging to the system being actually operated not by the Grand Trunk but by the Government of the United States. I need go no farther to illustrate the infeasibility of a lease of the system. Consequently, what was sought to be obtained was some other method by which, in substance, the very same question could be submitted to arbitration and the result that was sought before obtained in a better way. The method devised, therefore, was to submit to arbitration the four stocks—the three preference stocks and the common stock—and to pay the award, whatever it might be, if any, by the issue of a new non-voting stock bearing interest at four per cent perpetually and made redeemable at the option of the Government after thirty years at par. So that hon. members will see that while there is a change in the matter or the form of the subject-matter of submission, there is no variation in any material way from the original offer as to arbitration. In effect the result would be practically—indeed, identically—the same. Other respects in which there may be said to be variations are wholly minor or immaterial. There is no respect, I believe, in which there is change to the disadvantage of the country. There is an omission—I should put it this way: The original letter of 11th July, 1918, contained a proposal, an offer to the company, that in the event of arbitration being accepted, we would agree that conditions arising out of the war should be eliminated from the consideration of the Board or Arbitration. As the war was over it was felt by the Government that that condition was not now a desirable or, indeed, a possible one. The company have agreed that that condition be eliminated.

Possibly I should refer to one fact more; there is in what I am to refer to no variation at all, but an explanation may make it clearer.

It will be noted that in the letter of 11th July, 1918, one of the elements of the proposal was that the Government should consider the guaranteed stock which bears interest at four per cent perpetually and which stands next to the debenture stock or bonds, as an obligation just in the same way as the debenture stock or bonds are an obligation. That is carried forward, in fact, that is part of the present proposals, accepted unquali-