

The Canadian Northern Railway's Reorganization, Etc.

The principal event of the past month in Canadian railway circles has been the final steps in the transfer of the C.N.R. ownership to the Dominion Government, the retirement of the President and Vice President, Sir Wm. Mackenzie and Sir Donald Mann, and most of the other directors, the election of new directors and the election as President of D. B. Hanna, heretofore Third Vice President.

Legislation, Agreement and Arbitration.

In 1913 the Dominion Parliament passed an act to grant subsidies towards the construction of lines as follows: Canadian Northern Ontario Ry., from Ottawa to Toronto, not exceeding 250 miles, at \$6,400 a mile; Canadian Northern Ontario Ry., from Ottawa to Port Arthur, not exceeding 910 miles, \$12,000 a mile; Canadian Northern Alberta Ry., from Edmonton to the boundary between Alberta and British Columbia, not exceeding 260 miles, \$12,000 a mile. It was provided that before any of the subsidies be paid, the C.N.R. Co. should transfer to the Finance Minister, in trust for the government, \$7,000,000 of common stock.

In 1914 the Dominion Parliament passed an act providing that the government might aid in the construction, completion, equipment and betterment of the C.N.R. system, by guaranteeing its bonds, etc., to an amount not exceeding \$45,000,000, the guaranteed securities to be secured by a trust deed of securities of the railway, express, telegraph, transfer and other companies comprising the C.N.R. system, and by the transfer to the Finance Minister, in trust for the government, of \$33,000,000 of C.N.R. common stock, making, with the \$7,000,000 previously transferred, a total of \$40,000,000. The act also provided that while any of the guaranteed securities were outstanding the government might appoint any person to be a director of any or all of the companies included in the C.N.R. system.

In 1917 the Dominion Parliament passed an act providing that it might acquire the remaining 600,000 shares of the C.N.R.'s capital stock, not then held by the Finance Minister in trust for the government, on terms to be set out in an agreement to be made between the government and the owners and pledgees of not less than five-sixths of that stock, and for a price to be determined by arbitration; that upon the making of the agreement, at least five-sixths of the shares be transferred to the Finance Minister in trust for the government, and that if any of the 600,000 shares be not transferred the Governor in council might declare them to be the government's property, and that they should be paid for pro rata with the shares transferred as above required. The government was authorized, on the transfer of the five-sixths of the shares referred to, to assist the C.N.R. in paying its indebtedness up to \$25,000,000.

On Oct. 1, 1917, five-sixths of the 600,000 shares, par value \$51,000,000, were transferred to the Finance Minister, making a total of 910,000 shares, par value \$91,000,000, vested in the government, and shortly afterwards the Finance Minister announced that the government had become the "sole proprietor" of the system.

The agreement entered into between the government, Mackenzie, Mann & Co., Ltd., and the Canadian Bank of Commerce, pledgees of a portion of the 600,000 shares of stock, under the act of 1917, provided that arbitrators should deter-

mine the value of the 600,000 shares as at Oct. 1, 1917, that should the value be determined as \$10,000,000 or more, the price to be paid therefor should be \$10,000,000, but if the value determined

within three months of its receipt of the award, subject to deduction for undisclosed C.N.R. liabilities, if any.

Under the agreement, the following arbitrators were appointed: Sir Wm. Meredith, Chief Justice of Ontario, representing the Dominion Government; Wallace Nesbitt, K.C., Toronto, representing Mackenzie, Mann & Co., and Canadian Bank of Commerce; and Mr. Justice R. E. Harris, of Halifax, selected by the two other arbitrators. The arbitration opened at Toronto, Feb. 4, 1918, and continued at intervals until May 25, when the arbitrators gave a unanimous award, declaring that the value of the 600,000 shares was \$10,800,000, each of the parties to pay its own costs of the arbitration.

Under the terms of the agreement, the payment under the award was to be made by Aug. 25, but it was delayed for some two weeks, owing to certain matters which had to be cleared up. On Sept. 11, it was announced in Ottawa that payment had been made for 510,000 shares by a cheque for \$8,500,000, payable jointly to Mackenzie, Mann & Co. and the Canadian Bank of Commerce, the balance of the \$10,000,000 being held for the acquirement of the 90,000 remaining shares outstanding. As the holders of these shares were not parties to the agreement respecting the five-sixths of the 600,000 shares, it is said that they will be paid for on the basis of the arbitrators' determination of \$10,800,000, viz., \$18 a share, making the total payments \$10,120,000.

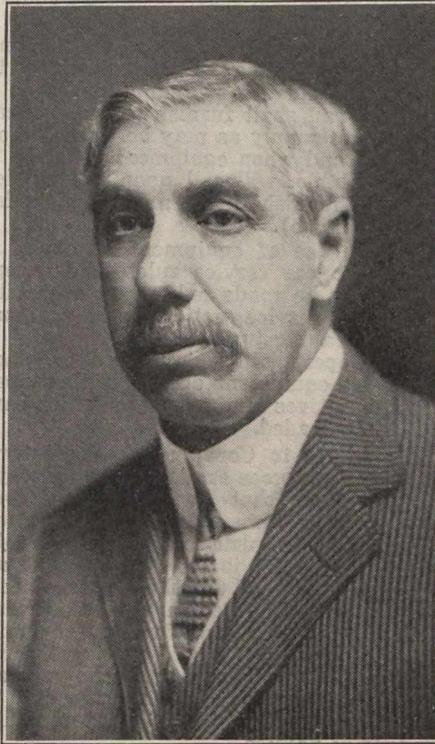
Canadian Northern Railway System Properties.

The companies amalgamated in 1914 as the C.N.R. system were as follows: Bay of Quinte Ry. Co., Brockville, Westport & North Western Ry. Co., Canadian Northern Ry. Co., Canadian Northern Pacific Ry. Co., Canadian Northern Alberta Ry. Co., Canadian Northern Western Ry. Co., Canadian Northern Saskatchewan Ry. Co., Canadian Northern Manitoba Ry. Co., Canadian Northern Ontario Ry. Co., Canadian Northern Quebec Ry. Co., Canadian Northern Express Co., Canadian Northern Transfer Co., Canadian Northern Telegraph Co., Canadian Northern Steamships, Ltd., Canadian Northern System Terminals, Ltd., Central Ontario Ry., Duluth, Winnipeg & Pacific Ry. Co., Halifax & Southwestern Ry. Co., Irondale, Bancroft & Ottawa Ry. Co., Lake Superior Terminals Co., Minnesota & Ontario Bridge Co., Minnesota & Manitoba Rd. Co., Marmora Ry. & Mining Co., Mount Royal Tunnel & Terminal Co., Niagara, St. Catharines & Toronto Ry. Co., Northern Consolidated Holding Co., Quebec & Lake St. John Ry. Co., Qu'Appelle, Long Lake & Saskatchewan Rd. & Steamboat Co., St. Boniface Western Land Co., Winnipeg Land Co.

The C.N.R. Co. holds a controlling interest in the Great Northwestern Telegraph Co., which is included in the transfer to the government. No action has apparently been taken in regard to the Chatham, Wallaceburg & Lake Erie Ry., Toronto Suburban Ry., and the Toronto & Eastern Ry., on the latter of which only a little construction has been done. All three of these companies are controlled by Sir Wm. Mackenzie and associates. It is possible that some, if not all of them, may be transferred to the government.

Canadian Northern Railway Shareholders.

The acting Minister of Finance, Hon. A. K. Maclean, stated in the House of



David Blythe Hanna,
President, Canadian Northern Railway.



Alfred J. Mitchell,
Vice President, Finance and Accounting, Canadian Northern Railway.

should be less than \$10,000,000, the value so determined was to be the price paid, in other words, no more than \$10,000,000 was to be paid, regardless of what the arbitrators might decide as to the price; payment to be made by the government