

not wise to have as stock of the Canadian National system—some five or six shares which have since been brought under the control of the government. In addition to that, there are certain Canadian Northern securities in the hands of the British Columbia government as collateral—I use that word for lack of a better term. We think we shall be able to get control of this stock. I would point out that no attempt was ever made to get control of this stock until a year ago.

Mr. MEIGHEN: Is that Canadian Northern stock? I think it is, from memory.

Mr. GRAHAM: I am so informed.

Mr. MEIGHEN: The act of 1919 provides for the acquiring of that and paying for it in exactly the same way as the other stock was to be acquired.

Mr. GRAHAM: It was not acquired, at all events, and we are trying to acquire it now, and hope to have the matter in shape in a little while. I would point out that if there were no reason why it could not be acquired in two months by the present government—

Mr. MEIGHEN: If they are in no hurry, I do not see why we should be.

Mr. GRAHAM: The amalgamation cannot take place until that stock is acquired. The stock may possibly be replaced by other securities and will not have to be paid for.

There is another question that has arisen concerning the amalgamation of the Canadian Northern which I am afraid my right hon. friend did not investigate. When the \$45,000,000 guarantee was given to the Canadian Northern, there was a trust deed drawn up which is now in the hands of the National Trust Company of Toronto. Accompanying that is the stock of a great many of the smaller companies of the Canadian Northern system. Now when that agreement was drawn, it was thought that there was nothing in it that would interfere with the amalgamation, but the National Trust Company think that there is, and, as that company will have to vote the stock of these smaller companies in order to carry out the amalgamation, every impediment in the way of voting that stock by the trustees must be removed while at the same time protecting the bond holders of the Canadian Northern. There is a clause in that trust deed—I shall give it verbatim in a few moments—which provides that the Canadian Northern may amalgamate with any companies that belong to the Canadian Northern system; but it does not provide that the Canadian Northern may amalgamate with the Canadian National, for the very

good reason that there was no Canadian National at that time. The National Trust Company takes the ground, that that point must be cleared up to the satisfaction of the bond holders. That cannot take place until a meeting of the bond holders is called and they agree, which they will, to the amalgamation of the Canadian Northern with the Canadian National, and then the agreement will be changed accordingly. Lest owing to my lack of legal knowledge I may have misstated the case, I shall read, if the House will permit me the advice given to me by the solicitor for the Canadian National Railways, who was also for many years the solicitor for the Canadian Northern and had much to do, I believe, with the drawing up of the various agreements, trust deeds, and statutes. Mr. Ruel, speaking of the non-amalgamation of the Canadian Northern company and subsidiary companies with the Canadian National, says:

"The reason was because of objection raised by the trustees of what we call the \$45,000,000 mortgage. That was the mortgage executed by the Canadian Northern Railway Company to the National Trust and British Empire Trust on the 15th July, 1914, pursuant to the parliamentary enactment of 1914, chapter 20. Under that mortgage it is the duty of the Canadian Northern to carry on not only its own enterprise but the enterprise of its various subsidiary companies, and failure to do so would be an event of default under the mortgage. However, permission is given in the mortgage to amalgamate under certain terms, as follows:

"Article II

"9. Notwithstanding the mortgages and charges hereby created or anything contained in this Indenture, any Railway Company comprised in the Canadian Northern system (including the company which is now or may hereafter be subject to the legislative authority of the Parliament of Canada, may with the approval of the Governor in Council, enter into arrangements and agreements with any other railway company comprised in said system, which is now or may hereafter be subject to said legislative authority, or which has now or may hereafter have power to enter into the same, respecting the operation by or the leasing to or the sale and transfer to such other railway company of its undertakings, assets, rights, franchises and powers or any of them; and any railway company (including the company) comprised in the Canadian Northern system which is now or may hereafter be subject to the legislative authority of the Parliament of Canada may under the provisions of the Railway Act amalgamate with any other or others of the railway companies comprised in said system which is now or may hereafter be subject to such legislative authority, or which if not so subject has now or may hereafter have power to enter into such amalgamation."

The important part of this section 9 is the sentence at the end of the section:

"and any railway company (including the company) comprised in the Canadian Northern system...may...amalgamate with any other or others of the railway companies comprised in said system."

The statement made by the trustees is simply that the Canadian National Railway Company is not a company comprised in the Canadian Northern railway sys-