

lined above are satisfactory. Should either alternative be favourably received we may then enter upon discussion and negotiation as to further necessary details.

Yours very truly,
(Sgd) Arthur Meighen.

Alfred W. Smithers, Esq.,
Chairman of the Board of Directors,
Grand Trunk Railway Company,
9 New Broad Street, E.C.

That letter was followed by two communications merely intended to elucidate the letter itself, and then by a rather extended reply made by Sir Alfred Smithers, in which reply exception was taken to the ground stated by me as the initiation of the proposals in certain respects, and in which reply neither offer theretofore submitted was accepted. Further proposals were made, but inasmuch as this correspondence that I am referring to now, including, indeed, the letter that I have read, has been already (I speak from memory) placed upon Hansard by the Minister of Finance of that day some time last session, and inasmuch further as it is by no means necessary to an understanding of the result of the negotiations now, I think I would meet the convenience of the House better if I omitted to read the intervening correspondence. The negotiations, with intermissions sometimes long, were continued and were renewed more definitely and with specific object within the last two months on the arrival in this country of Sir Alfred Smithers, president of the Grand Trunk Railway. These led to a final understanding, as between Sir Alfred Smithers, representing the Grand Trunk directorate, and the Government of Canada. This understanding rests for the time being on the part of the company with Sir Alfred Smithers himself, his power being a recommendatory power only, and the part of the country with the Government itself, the Government, of course, having to submit the proposals to Parliament for ratification. That is the footing upon which the understanding at present rests, but it is embodied specifically in a letter addressed to Sir Alfred Smithers yesterday by myself, which letter I shall now read:

Ottawa, October 9, 1919.

Sir Alfred W. Smithers,
Chateau Laurier,
Ottawa.

Dear Sir Alfred Smithers—

Referring to previous correspondence and to the various interviews between yourself and myself and other members of the Government respecting the acquisition by the Government of the Grand Trunk Railway system, I now record the understanding arrived at and I would be glad to receive your confirmation thereof in order that an enabling Bill may be intro-

duced by the Government and fully considered by Parliament at this session.

We have hitherto referred generally to the "Grand Trunk System" but to prevent any misunderstanding as to the meaning of that term there will be inserted in the agreement of arbitration below referred to the necessary definition of the term and a statement of how the various companies and their undertakings are controlled by the parent company—whether by stock ownership and to what extent, leases, agreements or otherwise, distinguishing in these respects the direct ownership and control by the parent company and its indirect ownership or control through companies included in the system.

The issued capital stocks (not including the 4 per cent guaranteed stock) of the Grand Trunk Railway Company (hereinafter called the "Grand Trunk"), are as I am advised, as follows:

First Preference Stock 5 per cent.	£ 3,420,000
Second Preference Stock 5 per cent	2,530,000
Third Preference Stock 4 per cent	7,168,055
Ordinary or Common Stock	23,955,436
	£37,073,491

The Government is to acquire the said first, second and third Preference Stocks and the ordinary or common stock amounting to a total face value of £37,073,491 in the manner and on the terms below mentioned.

The voting rights now vested in or exercisable by the holders of the 4 per cent guaranteed stock amounting to £12,500,000, and by the holders of the following debenture stocks, viz.:

Five per cent (5%) Grand Trunk debenture stock	£ 4,270,375
Five per cent (5%) Great Western debenture stock	2,723,080
Four per cent (4%) Grand Trunk debenture stock	24,624,455
Four per cent (4%) Northern de- benture stock	308,215
	£31,926,125

are to cease.

As part of the consideration for such acquisition and cessation of voting rights the Government will agree to guarantee the payment of—

(a) Dividends payable half yearly, at four per cent per annum, upon the said 4 per cent guaranteed stock;

(b) The interest upon the debenture stocks as and when payable, in accordance with the terms thereof;

These guarantees to take effect upon the date of the appointment of the Committee of Management below mentioned.

The value (if any) to the holders of the first, second and third preference stock, and the ordinary or common stock shall be determined by a Board of Arbitrators consisting of three persons, one to be appointed by the Grand Trunk, one by the Government, and the two so appointed to select a third, or failing agreement the third to be selected from among the judges of the Superior courts in Canada by Sir Louis Davies, Chief Justice of the Supreme Court of Canada, and Sir Walter Cassels, judge of the Exchequer court of Canada, acting together.

Should any vacancy occur in the Board of Arbitrators, the arbitrators to fill the vacancy shall be appointed in the same way as the