

by Order in Council of December 20, 1918, the corporate entity of each system being, however, preserved. The Canadian Northern system, at the time of its acquisition by the Government, had a total mileage of 9,566.5 miles.

*The Grand Trunk Pacific.*—During 1916, 1917 and 1918, the Grand Trunk Pacific received advances from the Government, totalling \$19,639,837, to enable it to "carry on" during difficult times. Towards the close of the fiscal year 1918-19, approximately \$950,000 of the \$7,500,000 authorized in the estimates of that year remained unexpended. The company desired to use this to pay interest on Grand Trunk Pacific Debenture Stock, but the Government insisted that deficits in operation should have priority over all other charges, and made the remittance conditional upon that understanding. As a result, the company notified the Government that it would be unable to meet the interest due on its securities on March 1, 1919. This was followed on March 4, by a notification from the company that it would be unable to continue operation of the railway after March 10. As it was necessary, in the interests of the immense territories served by the railway, to maintain the operation of the railroad, the Minister of Railways was appointed receiver from midnight of March 9, and for a time the road was operated apart from the Canadian National Railways. In October, 1920, the management was transferred to the Canadian National Railways, and 1921 was the first complete year of the operation of this road as an integral part of the Canadian National system.

*The Grand Trunk.*—The desire of the parent organization, the Grand Trunk, to be relieved of its obligations in respect of the Grand Trunk Pacific, and Grand Trunk financial difficulties, led to negotiations early in 1918 for the taking over and inclusion of the Grand Trunk in the Government system of railways. These continued until October, 1919, and resulted in Chapter 13 of the 2nd Session of that year, an Act to acquire the Grand Trunk Railway system. This legislation provided for the sale and purchase of the preference and common stock, the value of which was to be determined by arbitration. On certain other stocks, namely, the 4 p.c. guaranteed stock and the debenture stocks, the Government agreed to guarantee the payment of dividends and interest, provided the voting powers exercised by the shareholders should cease on the provision of the guarantees. The guarantees were to take effect on the appointment of a committee of management representative of both the company and the Government. The committee of management, which consisted of C. A. Hayes and S. J. Hungerford, representing the Canadian National Railways, W. D. Robb and Frank Scott, representing the Grand Trunk, with President Howard G. Kelley, of the Grand Trunk, as chairman, held its first meeting on May 31, 1920, from which date the Government assumed its liability under the Act already referred to. The arbitrators appointed were Sir Walter Cassels, Chairman; Sir Thomas White, for the Government; and Hon. W. H. Taft, for the Grand Trunk. The arbitration proceedings commenced on February 1, 1921. The agreement under the Grand Trunk Acquisition Act limited the time for the completion of the arbitration proceedings to nine months from the date of the appointment of the arbitrators. The arbitrators had been appointed on July 9, 1920, and the arbitration proceedings had not been completed when the proceedings lapsed on April 9, 1921.

This difficulty led to further delay, and to reinstate the arbitration proceedings necessitated more legislation. With this in view, an Act respecting the Grand Trunk arbitration was put through and became law on May 3, 1921. This legislation provided for the reviving of the arbitration proceedings, conditional upon