

We undertake to guarantee the bonds. But it is an important question, what is to be the character of the road? The answer is this: The character of the road to be constructed by the Grand Trunk Pacific Company, between Winnipeg and the Rocky mountains is to be the same as that of the road between Montreal and Toronto.

Mr. MACLEAN. Double track?

The PRIME MINISTER. The hon. gentleman (Mr. Maclean) speaks too soon.

The company shall lay out, construct and equip the said western division of the said railway to a standard not inferior to the main line of the Grand Trunk Railway Company of Canada between Montreal and Toronto, so far as may be practicable in the case of a newly constructed line of railway, but this section shall not be held to oblige the company to construct a double track railway.

And I would add 'before the time has come for it.' Now, it will be asked: What is to be the liability of the government, what are they to contribute to the building of this railway, for they must contribute something? What they contribute is simply this—the payment of the interest for a certain number of years. It is provided that the bonds shall run for fifty years. During the first seven years, the company are not to be called upon to meet the interest, which is at three per cent; that interest will be met by the government. After seven years the company shall pay the interest, if the proceeds of the road are sufficient to earn three per cent. But, if the proceeds are not sufficient to earn three per cent, the payment shall be made by the government. But, at the end of three years, the government shall be recouped every cent by the company. It is important that, from this point, I should give the very section of the contract:

The government shall pay the interest upon an amount of bonds equal to the principal of the bonds guaranteed by the government on account of the construction of the mountain section, accruing due during the first seven years from the date of the issue of said bonds, and shall not have recourse against the company for any interest so paid. After the expiration of the said period of seven years, the company shall be primarily liable to pay the said interest, and should default be made by the company in payment thereof, or of any part thereof, the government shall pay the same and take up the coupons representing such interest, and any moneys so paid by the government under its guarantee, whether for principal or interest of the said bonds, shall be held to be paid in discharge of the liability of the government, but not in discharge of the liability of the company with respect to the said bonds, and any moneys so paid by the government shall continue to be a charge under the said mortgage, to be given to secure the said guaranteed bonds hereinafter mentioned, and the government shall be subrogated to all the rights of the holders of the said bonds, the interest upon or the principal of which shall have been paid by the government, and the government shall in respect of all moneys which it

may so pay, be in all respects, in the position of holders of bonds in respect of whose bonds default has been made to the extent of the moneys so paid by the government, subject to the following proviso and exception, namely: That the government shall not, during the next succeeding period of three years following the period of seven years above mentioned, be entitled to exercise any rights of foreclosure or sale against the company or to take possession of the said railway, if the default of the company consists in failure to pay during the said period of three years the interest upon an amount of bonds equal to the principal amount guaranteed by the government on account of the construction of the said mountain section, but any moneys so paid by the government shall be repaid by the company to the government in the following manner: At the end of the said period of three years the whole amount so paid by the government shall be capitalized and shall be repaid by the company to the government with interest at the rate of 3 per centum per annum, or the company may, at its option, repay the same in forty equal annual instalments, with interest at the rate aforesaid, or may give to the government bonds for the said interest so capitalized, payable in forty years from the date thereof, with interest at the rate aforesaid; in any event, the interest so capitalized and the bonds so to be given therefor, if any, shall continue to be secured by the said mortgage to secure the bonds guaranteed by the government, hereinafter mentioned, and the said mortgage shall contain proper provisions in that behalf.

Mr. SPROULE. That only applies to the prairie and the mountain sections?

The PRIME MINISTER. To the mountain section only. Now, what is the disposition for the prairie section? The disposition with regard to the prairie section is that the company shall pay interest from the issue of the bonds; the government will pay no interest at all upon the prairie section. Now, Sir, what is the liability incurred by the government for the construction of this road from Winnipeg to the Pacific ocean? Assuming that the road across the mountains is 600 miles long, the cost of construction will be \$18,000,000, and the total interest for three years will be \$3,780,000. This is the whole of the liability which is incurred by the government for the construction of the railway from Winnipeg to the Pacific ocean.

I pass now to the eastern section. It is provided that it shall be operated by the company under a lease. As we are to build a railway that they are to lease it from us at the rate of three per cent per annum, we have thought it advisable that they should have a joint voice with us in the construction of it. Therefore, section 7 provides:

In order to insure, for the protection of the company as lessees of the eastern division of the said railway, the economical construction thereof in such a manner that it can be operated to the best advantage, it is hereby agreed that the specifications for the construction of the eastern division shall be submitted to, and approved of by, the company before the commencement of the work, and that the said work shall be done according to the said speci-