

HISTORY OF THE TRANSACTION.

To make this matter plain, it may be as well to give the history of the transaction. Four or five years ago, the Canadian Northern Railway Company proposed to construct the James Bay Railway between Toronto and Sudbury, a distance of 265 miles. The company came to the Ross Government for assistance, and in 1904 the Ross Government passed an Act to guarantee the construction of debentures of the company at the rate of \$20,000 a mile for the 265 miles to be secured by first mortgage on the road in favor of the province. The total amount of the guarantee was \$5,360,000. The James Bay road was constructed under this arrangement from Toronto to Parry Sound, and is expected to reach Sudbury the coming summer. But when the Whitney Government came into power and looked into the security, it was found that there was a very serious defect in the mortgage. The lien held by the province on the James Bay road did not cover the terminals at either end, so that if the road had fallen into the hands of the province under the mortgage, the province would not have been able to do any business over the railway without paying tribute to whoever might happen to be owner of the terminals. Moreover, it is recognized that the completion of the Toronto and Sudbury branch of the Canadian Pacific Railway will deprive the Canadian Northern Toronto and Sudbury line of much of the through traffic which it expected to get between these points, which also depreciates the value of the security.

A NEW MORTGAGE ENTIRELY.

Some day the Canadian Northern's Toronto and Sudbury line will be a part of the Mackenzie & Mann through line to the Pacific, but in the meantime, in view of the loss of through traffic by the opening of the C. P. R. competing line, more local traffic became a necessity, and to secure this the Canadian Northern desired to construct four branches or feeders, making about fifty miles of projected new track in all. One branch of twenty-eight miles will tap the great iron deposits at Moose Mountain, from which enormous freights of ore are expected. The second is to be a sub-feeder into the Garson mines. Then there is a branch from the main line to Orillia, and another branch from the main line to Key Inlet on the Georgian Bay to facilitate the shipment of the ore down the lakes. The company also desires to construct terminals and ore docks at Key Harbor, which will be made the Georgian Bay port of this line; and to provide extensive terminal facilities at Toronto, where it is the intention to construct a huge smelting plant in which to