

Mr. Borden, after discussing the cost per mile and inquiring the present estimate as to the length of time to be occupied in the construction of the road, concludes: 'I would like to know also the approximate rate of interest to be paid upon money which will have to be borrowed for that purpose. My hon. friend the Minister of Railways may be obliged to seek the assistance of the Finance Minister, but I think that the information I ask is reasonably required for the purpose of the discussion which will take place when the minister makes his statement. I would like the minister to give me the estimated rate of interest which we would have to pay on the cost of the road during the period of seven years after its completion, in which period the Grand Trunk Pacific will pay no rental.'

The issue of 3 per cent government guaranteed bonds to the amount of £3,200,000 already made by the Grand Trunk Pacific Company, netted about 92½, approximately an interest charge of about 3.24 per cent on net proceeds. There has been thus far no loan negotiated by the government exclusively for the National Transcontinental Railway. What the cost of money will be when future issues of the Grand Trunk Pacific guaranteed bonds are made, or at what rate the government will be able to borrow money for the purposes of the construction of the eastern division, it is impossible to hazard a forecast which would be a present guide. That will necessarily depend on the fluctuations of the money market.

Mr. Borden asks in the same connection 'the exact amount of the liabilities of the country in connection with the Quebec bridge up to this date, as well as the approximate estimate of the cost necessary for the building of that bridge.'

The government's liability for the Quebec Bridge Company was limited by chapter 54 of the Acts of 1903 to a guarantee of the payment of the principal and interest on an authorized bond issue by the company to the amount of \$6,678,200. This guarantee was given and the bonds were issued and pledged by the company to the Bank of Montreal for the raising of the money. Of these guaranteed bonds £478,700, approximately \$2,330,000, have since been returned to the government and are held as collateral for an advance of \$2,000,000 made by the government to the bridge company under the provisions of chapter 35, Acts of 1907. The remaining bonds to the amount of the sterling equivalent of \$4,348,200, are outstanding in the hands of the Bank of Montreal. The bank's claim against the bridge company on April 30, 1908, for general advances and interest was \$3,773,223.71, and for further special advances the bank claimed on May 31, 1908, \$174,431.36.

No estimate, so far as the Finance Department is advised, have been made of the cost of rebuilding the Quebec bridge, or of what part of it would be a charge against the Transcontinental Railway.

Mr. Borden further says: 'Then the minister, of course, remembers that for a period of seven years the country is to pay interest on those bonds so guaranteed without recourse. I would like a statement which will follow from the information already asked of the estimated amount which the country will pay over without recourse in respect of the Mountain division.'

389

Uncertainty as to the rate of interest at which money can be obtained during the next few years makes it impossible to submit anything like an accurate calculation in reply to this question.

(Sgd.) N. T. R.

Finance Department, June 30, 1908.

For the purpose of estimating the liability of the country in connection with the road it might be proper to refer for a moment to the provisions of the agreements of 1903 and 1904 between the government and the Grand Trunk Pacific Railway Company and to the Acts of this parliament which ratified these agreements. By section 28 of the agreement of 1903 it was provided that the government should guarantee the bonds, with respect to the construction of the prairie section, to an amount not exceeding \$13,000 per mile and, with respect to the Mountain section, to an amount not exceeding \$30,000 per mile. By section 4 of the agreement of 1904, the latter provision was modified so far as the Mountain section is concerned, so that in respect of the Mountain section the country is under obligation to guarantee bonds to the amount of three-fourths of the cost of construction, whatever that cost of construction may be.

It may also be proper to refer to the leasing provisions of the agreement of 1903. By these leasing provisions it was provided that after the completion of the road from Winnipeg to Moncton it shall be leased to the Grand Trunk Pacific under certain conditions for a period of fifty years. During the first seven years the Grand Trunk Pacific is to pay no rental whatever, and during the balance of forty-three years it is to pay a rental of three per cent upon the cost of construction as ascertained under the agreement; provided, however, that if during the first three years of the period of forty-three years just alluded to, the net earnings of the road shall be insufficient to pay the rental of three per cent, then to the extent to which they are insufficient the Grand Trunk Pacific shall not be obliged to pay rental but the rental so unpaid shall be added to the cost of construction. I think I have fairly stated the provisions of the agreement reciting them at length. I should add that the cost of terminals under sections 15 and 18 of the agreement of 1903 are to be included in the cost of construction for the purpose of any estimate made under those agreements.

It is not necessary or advisable for me at this juncture to go very exhaustively into the estimates made in 1903 as to what the road would cost the country. The Minister of Finance (Mr. Fielding) at page 8,583 of 'Hansard' of 1903, estimated that the New Brunswick section of the eastern division, from Moncton to Quebec, the length being estimated by him at 400 miles, would cost \$25,000 per mile, or \$10,000,000, and from Quebec to Winnipeg, he estimated the length as 1,475 miles, at \$28,000 per mile;