bond issues. We all know that the capital account, as it stands, is something wholly different from what the real cost of the railway was. Take the statements which are made by hon. gentlemen here and in England, very much to the detriment of railway enterprise in Canada, with reference to the capital account of our great railway—to the several construction accounts—to the subsequent swelling of the capital account, or to all those things which indicate an original swelling of the capital account to a point far beyond the genuine cost of the work—take off this fund created not many years ago, when there was an issue of ordinary stock to something like £10,000,000 sterling, at 20 per cent., on which but £2,000,000 was realized by the company; and, for this, the £10,000,000 sterling emitted, besides, has been added to the capital stock of the Grand Trunk Railway. That debt was created—not for the purpose of renewing construction, but for steel-railing the road. But, at any rate, if that were to be added to the capital account, although the renewal of its rails ought to have been provided for out of ordinary revenue—the only thing properly, on the most liberal construction, that ought to have been added to the capital account was the difference between the cost of the steel and iron. But the whole £10,000,000 were added to that account for only £2,000,000 cash, which makes of the clause a totally illusory showing as to what the real capital account of the Grand Trunk Railway is; and the same results to a very notable extent have been seen with reference to some other railroads in the United States.

It being Six o'clock the Speaker left the Chair.

AFTER RECESS.

Mr. BLAKE. When the House rose I was endeavoring to show, from the circumstances under which the Grand Trunk Railway capital account had been increased, that the capital stock of a railway company formed an entirely delusive indication of the cost of the railway. Another important illustration in the same sense is given us in the capital account of the Central and Union Pacific Railways; for a recent report of the authorities of the United Statas indicates that while the apparent cost of those roads was something over $300,000,000, the actual cost at present prices would be about $75,000,000. The practical result of all this is, that it is easy to swell the capital account; and when you reflect that in the case of the Canadian Pacific Railway the provisions are such that there is no security for the capital stock representing money actually paid to the apparent value of that stock, it will be observed that every facility is afforded for the undue increase of the capital account. In virtue of the provisions of the charter it is competent for the Company to dispose of the capital stock at such prices as the directors may choose to affix to it, and for a consideration such as they may choose to take for it. It is therefore competent to them, for example, to arrange a construction company which may be paid partly in securities of the railway company, partly in cash, and partly in its capital stock—this construction company being composed practically of the corporators of the Company. That is what took place, as we know, with regard to the Union Pacific when the *Crédit mobilier* was established, and large blocks of the stock of the Union Pacific were handed over to those contractors—who were really the Company itself—at nominal rates. Well, you give an inducement to the railway company to enter upon this plan, while under other circumstances there would have been no inducement to the swelling of the capital stock beyond reasonable limits. Your present proposal is a direct inducement to them to enter into these courses, because you tell them that they may make returns free from the power of the Government, and they will offer rates up to ten per cent. on the capital stock and the interest thereon, and therefore you tell them that the larger they swell the capital stock so much the greater will be their power to obtain dividends on the enterprise uncontrolled by the Government. The natural result will be that they will make such financial arrangements in such a way as will give them that freedom, such as shall insure the emission—I do not say for money, but for a small consideration—to themselves probably of the whole block of this capital stock. And we do not provide that, unless for the years in which they receive a dividend upon it, interest shall be added to the amount so created for ten years during the construction, and on this aggregate they may have ten per cent profit uncontrolled. Of course, it is easily managed. It may be said they will not abstain from dividing profits in order to secure this result; but during these ten years there will be a very easy application of all the profits they will make from the running of the completed portions of the road. They will be engaged in construction during the whole of that time, and instead of dividing the profits, they may use the profits on the completed portions in their hands, and facilitate the work of construction of the remainder. Again, they may make a division as soon as they acquire, from time to time, large portions of the lands, and that would not be a dividend on capital stock. On the whole, it is tolerably clear that they may, without any practical inconvenience, make arrangements by which, without their being really represented by money, or at all events money to the extent of more than four or five millions, the whole shares of the $25,000,000 capital stock may be omitted, and a charge made of the interest of the capital stock so omitted, amounting altogether to about $40,000,000, on which they might obtain dividends, uncontrolled by the Government, up to the extent of 10 per cent. That is practically the result which may be achieved under this clause. I quite agree that that is a better result than what was to be looked for under the Bill lately before Parliament. But it is not the result which we were told would be secured. I believe, if the expectations of the Syndicate are largely carried out; if the calculations of the Government are largely verified, it would be unnecessary to expend more than $5,000,000 of money in the shape of capital stock, and they will have a nominal capital by the time the road is completed of $25,000,000, with $15,000,000 interest, or in all $40,000,000, bearing dividends within the meaning of this clause, and there will be no efficient control over the rates in future.

Sir JOHN A. MACDONALD. We have been treated by the hon. gentleman to a very elaborate argument upon what appears to be really a small matter. The definition of the word capital in the first section of the Bill is not the general interpretation of the word capital in Acts of Parliament generally, but is simply the meaning of the word capital in the Railway Act of 1879, so far as regards the collection of the tolls. It may be remembered that when we were discussing the Canadian Pacific Railway, the argument was used that they might raise large sums of money on the lands they were to receive, they might steal that money, issue bonds to any extent, throw the road on the public or on the bond-holders, and that the 15 per cent was too large and they would have a monopoly of rates. There was no use arguing that the Government had a check, because no tolls or rates could be imposed except under approval of an Order in Council. There was no confidence in the Syndicate, because it was a monopoly, and no confidence in the Government because it was the Government. The Act of 1879, to which this clause relates, provides that the Parliament of Canada may from time to time reduce the tolls on railways, but not without the consent of the Company unless their profits were over 15 per cent on the capital actually expended. No matter how the road had been built, whether by bonds or paid up shares, 15 per cent must be the profits on the capital expended before the