gage. This provision in my opinion adequately protects the Government, while it substantially facilitates the financing of the work by the Company.

(c.) The mortgage assumes to fix a limit to the bond issue. Some discussion has taken place between counsel in this connection. It has been suggested that the face of the bond issue should be definitely measured by 75 per cent of the cost of construction not exceeding $13,000 per mile in respect of the Prairie Section, though the agreement of 1903 in paragraph 32 provides specifically for the issue of bonds to be secured by the mortgage for the capitalized three years' interest, payment of which the Company is permitted to defer, and though the agreement of 1904 by paragraph 5 provides for an implementing by the Government of its guarantee of the bonds of the Company to be issued for the cost of construction of the Western Division. The method finally arrived at and the result of which is to be embodied in the mortgage, is to make an estimate of the cost of construction, an estimate also of the possible capitalization of interest for three years, and a further estimate of the amount involved in the implementing scheme and to allow a fair safety margin in addition to these estimates, so that the Company may not find itself left with its bond issuing power exhausted, before full provision has been made for all the expenditure which the agreements contemplate.

The Company's officials have furnished a memorandum, and this memorandum has been checked by the Deputy Minister of Railways and Canals, and the limit finally agreed upon (£14,000,000 stg.) has been fixed with reference to the principles stated above.

The memorandum furnished by the Company's officials required correction in some details, and after correction the figures based upon that memorandum appear to be as follows:

Cost (including terminals) of both sections	$51,560,000
15 per cent for contingencies in respect of the Mountain Division	5,175,000
3 years interest capitalized	3,854,250
Bonds to implement upon a basis of 92½	4,255,125
Total	$64,844,375
	or £13,340,000

The estimate of the Deputy Minister of Railways and Canals is as follows:—

Cost (including terminals) of both sections	$55,000,000
(This includes an allowance for contingencies).	
3 years interest capitalized	3,700,000
Bonds to implement	4,125,000
Total	$62,825,000
	or £13,000,000

The mortgage contains a careful provision for applying any surplus proceeds of bonds on hand after completion to the buying in and cancellation of outstanding bonds, so that there may not in the result be any over-issue, having regard to the powers of the Company.

I should perhaps point out that while the provision made in the mortgage does not distinguish between bonds to be issued for the three years' interest capitalized and bonds for construction work, the scheme of the mortgage enables the bonds for capitalized interest to be treated in the method prescribed by the agreements. If the total estimate for the bond issue is adequate there will be on hand, when the work of construction is completed, unissued bonds to an amount equal to the possible capitalization of this interest. When three years from the date of completion have gone by, these bonds will be on hand, to be handed over to the Government should the Company elect to capitalize this interest, and they will have been from the beginning within the security of the mortgage charge. So long as they remain in the possession of the Govern