

Canadian side. By Article III, the United States Government undertakes to provide funds for the construction of all works in the International Rapids Section, except machinery and equipment for the development of power, and works required for rehabilitation on the Canadian side.

35. The Canadian Government would, therefore, be constructing all the works in the International Rapids Section on the Canadian side (subject to adjustments in the allocation of works by the Commission, whereby some Canadian contracts might overlap the boundary-line, and United States contracts might extend to a moderate extent on the Canadian side). Of the expenditures thus made, the costs of acquiring lands and of the rehabilitation of Iroquois and Morrisburg would be direct obligations of the Government. All of the other expenses would be paid for by the United States Government, from time to time, as the work progressed. (W.P. pp. 2, 3, 4).

36. The works would include the power house on the Canadian side and all other power works, except equipment and machinery, as well as the dykes, dams and other common works. Under the Agreement with Ontario, provision is made for the transfer of the power works and of all rights in respect of power to Ontario, for the sum of \$64,125,000. In this manner, an arrangement is worked out, whereby Ontario pays for the whole of the cost of Canada's share of the power works, and 62.5 per cent of the cost of Canada's share of the common works. (W.P. p. 11).

37. The other works involved, to be constructed by the Canadian Government, are the deepening of the Welland Ship Canal and the development of the Canadian section for navigation. The estimated cost of the first item would be \$1,100,000 and the estimated cost of the development of the Canadian Section would be \$82,954,000.

38. The apportionment of costs in the Canadian Section is covered by a letter from the Prime Minister of Canada to the Premier of Quebec, March 12, 1941. An undertaking was given that "if and when Quebec takes over the control and operation of the Beauharnois development, there will be paid to the Government of Quebec, by the Government of Canada, the sum of \$7,972,500." It is also provided "that, if and when power is developed within the Lachine Section, full recognition will be given to the rights and obligations of the Government of the Province of Quebec." In this manner provision is made to divide equitably the savings accruing from the construction of navigation and power works as a joint enterprise, applying the same principle in the adjustment of the costs of the developments undertaken in the National Section of the Waterway as was applied in the arrangements under the Agreement between Canada and Ontario. (W.P. pp. 70-72.)

39. The result of the foregoing provisions is that the net cost to Canada of the whole development, would be \$42,343,000. This would compare with an estimate on a comparable basis for the 1932 project at \$43,776,500. This would, of course, be subject to revision, in the event that the provision of the Agreement with Quebec for the division of the common works in the Beauharnois Section, referred to above, becomes effective.

PART VI

PROTECTION OF NAVIGATION AND POWER INTERESTS IN THE LOWER ST. LAWRENCE

40. Article IV of the Canada-United States Agreement provides:—

(d) during the construction and upon the completion of the works provided for in the International Rapids Section, the flow of water out of Lake Ontario into the St. Lawrence River shall be controlled and the flow of water through the International Section shall be regulated so that the navigable depths of water for shipping in the harbour of Montreal and