Mr. Davie) went to Montreal, and Mr. Van Horne ascertained from his engineers on the spot what the probable cost of construction would be, what the C. P. R., with the facilities which they had at hand, could construct the road for, and that cost was placed at $17.500 per mile. He, Mr. Davie, pressed upon Mr. Van Horne to build the line, but he did not care to undertake it. He agreed, however, that his engineers would superintend the construction, and that the company would lease the line, paying 40 per cent. of the gross receipts as a rental. He, Mr. Davie, then arranged with the Nakusp and Slocan Railway Company to build the road, and he (Mr. Davie) then concluded an agreement between the Pacific Company and the Nakusp and Slocan, which is now before the house, under which the C. P. R. superintend the construction and agree to operate the line for 25 years under a penalty of $50 per day. The Nakusp Company pressed for the cost of equipment as well, which the government would have been authorized under the act to allow, but the matter was concluded for the cost of construction only. The company had to put up the sum of $118,400, being the amount of the Dominion subsidy in cash. To have built the road by interest guaranteed bonds, would have required all of the bonds—for under the act the company were to have "the cost to them of their enterprise." Placing therefore the cost of construction at $17,500 per mile for thirty-seven miles, the length of the road 37 miles, amounted to $647,000. Add to this the discount of bonds, which would have been part of the "cost of the enterprise," cost of organization, engineering, right of way and one thing and another, would have footed up fully to the $925,000, and no company could then have been procured, nor now, so far as he knew, to undertake the work, and put up $118,000—for less than the whole of the bonds, and there was no time to hunt up others, if the work was to be commenced at once. In fact the company had called for tenders for construction, payable in bonds, and the lowest bid was for all the bonds at $25,000 per mile. Then, the cost of the road, $17,500, was a smaller cost than the Nelson and Fort Sheppard, which had cost between $19,000 and $20,000 per mile; was less than the Columbia & Kootenay, which had cost $22,000 per mile, and was less than the city of Victoria had paid for the Sidney railroad guarantee. Having, therefore, concluded arrangements in Montreal, he (Mr. Davie) returned to Victoria, and the executive concluded to give the guarantee upon the terms arrived at. Under the railway aid act of last session, it was provided that if at any time the money received for the forty per cent. gross earnings amounted to more than enough to pay the interest upon the bonds for two years, the remainder should be handed over to the company. Under the new arrangement, however, it was provided that any over-plus should remain with the government and be accumulated as a sinking fund. In carrying the arrangement out which had been arrived at with the Nakusp & Slocan Railway, as the government had no authority to do anything else than guarantee interest, it was agreed that the government should endorse the full issue of interest guaranteed bonds and lodge them in the bank subject to being replaced with $17,-500 principal and interest bonds, should the legislature conclude to make the change. An overdraft was to be arranged on the security of the bonds—upon which the company were to be at liberty to draw to the extent of 90 per cent. of certificates of work done. As well as the C. P. R. engineer the government had an engineer also.

The cost of building the road at $17,500 per mile, was $647,500. But from this has to be deducted $118,400—the cash found and deposited by the company with the government—leaving the net amount guaranteed by the government, being the total obligation assumed by the Province, $529,100.

Upon the plan contemplated last year—the S. & O. plan—the total cost would be $925,-000. Deduct from this $118,400, and you have $806,600 as the total obligation assumed by the Province. Interest upon the latter sum at 4 per cent. amounts to $32,264 per annum, which, on the Shusway & Okanagan plan, the plan unanimously endorsed by all of us, would have to be paid yearly by the government, that is irrespective of the 40 per cent. gross earnings, with nothing to show for the expenditure at the end of the 25 years. Whereas, on the other plan, 4 per cent. on $529,100 amounts to $21,164 yearly only; add to this a sinking fund of 2 per cent., which will be more than sufficient to extinguish the principal at maturity, and you will still have less to pay than the 4 per cent. on the plan authorized by the house, and you have a railway fully paid for at the end of the time. So the government then either get enough to pay the principal, or else have the railroad free and clear. The latter calculation was at 4 per cent., but the Province could get the money at 3½. He (Mr. Davie) had the difference between the two methods calculated, when in Montreal, and the advantage in favor of guaranteeing principal and interest at the lesser rate was startling. On the $25,000 4 per cent. basis the money, irrespective of the 40 per cent. gross earnings, costs $41,645.91 per mile, in