

The government shall return the said deposit to the company on the completion of the construction of the western division and the first equipment of the whole line of railway, according to the terms hereof.

So, that you see the return of the deposit of \$5,000,000 is provided, and it comes out of the \$20,000,000 which is all the company engages to expend on equipment. I have pointed out that the \$20,000,000 of preference stock goes to equipment, what else have we? We have \$25,000,000 of common stock. Now the borrowing capacity on the Grand Trunk Railway guarantee, recognized by clause 34 of the contract, is necessary to furnish the balance over the government guarantee. One would naturally suppose that the \$25,000,000 common stock in the treasury, in respect of which, if the company be prosperous, dividends would be expected to be paid, would have a value as an asset of the company, available for the purpose of building its line or for any other necessary purposes connected with the undertaking. But turn to clause 27, and what do we find? We find:

The company undertakes that the Grand Trunk Railway of Canada shall acquire and take the said common stock to the amount of \$25,000,000, except shares held by directors, not exceeding 1,000 shares, and to hold the same during the term of the said lease, and so long as any of the bonds guaranteed by the government under the terms of this agreement shall remain outstanding and unpaid.

The agreement does not provide that the company shall subscribe for these shares, as everybody subscribes for shares, but that they may acquire and take them. That is a matter entirely of arrangement between the Grand Trunk Pacific Railway and the Grand Trunk Railway. The Grand Trunk Pacific Railway may hand over these shares for a mere song. The Grand Trunk Railway may put them in their pockets and draw the dividends and keep them there fifty years, in their vaults not available at all toward cost of construction. It will not be compelled to pay anything for this stock because the Grand Trunk Railway and the Grand Trunk Pacific are one and the same red-headed boy. They belong to the same family. We cannot conceive of a great deal of antagonism springing up between them in respect of the terms upon which this common stock will be acquired. They could make a snug comfortable arrangement between themselves.

An hon. MEMBER. Oh.

Hon. Mr. BLAIR. Somebody says Oh. I think that is only human nature. It is what they are invited to do. They are invited to acquire, take and hold, and I am at all events justified in this inference because the government, by this clause 34, has told us that there is no money to come out of the common stock. Every farthing outside of the government guarantee is to be provided

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for under the bonds of the Grand Trunk Pacific Railway, which are to be guaranteed by the Grand Trunk Railway. That is the language of the contract, and no one can gainsay it. So that we have this very nice little arrangement spread out right before the eye, so clear and plain that any man who runs may read. If there is any explanation of that, it should be forthcoming and I shall be glad to hear it because it is a matter that ought to be explained.

Now, I do not make any point of the fact that, so far as the present legislation extends, the Grand Trunk Railway Company has no power to give any of these guarantees or sign any of these obligations assuming liability as a company. They can get that power if their shareholders shall authorize them to do it; that would probably be only a question of time. But it is not capable of being harmonized very well with the declarations that were made at the annual general meeting of Grand Trunk stockholders last June, when the gentlemen who were promoting this enterprise took pains to assure the stockholders, as we know, that there was no responsibility to be assumed by the Grand Trunk Railway as a company, that their attitude was only that of a benevolent assisting party to the enterprise. They may change their minds. But, until they do change their minds, the inference is, and the fact remains, that there is no present authority, so far as we have been able to discover under which the Grand Trunk Railway Company can enter upon such obligations.

Returning to the question of the liabilities which the government assumes, on the eastern section it will assume \$65,000,000. On the prairie section it guarantees \$9,750,000, and on the mountain section \$13,500,000. This will make a total on the three sections of \$88,250,000. To this I add the 3 per cent interest on the cost, which for ten years on the eastern section would be \$1,950,000 a year. I have taken this at ten years because that is the expectation of the contracting parties themselves. Thus is a railway which, for the carriage of western traffic, would only operate through the Moncton end during the winter. So, I think we make no extravagant estimate when we say it would not be likely to pay sufficiently to enable it to pay interest until after the expiry, not of seven, but of ten years. So, we may assume that this interest will run for ten years. This will make a total of \$19,500,000 to be added to the previous sum. Upon the mountain section interest will be borne for seven years, making \$4,050,000 more. The interest on the prairie section for two and one half years, which would be half the time of construction, would be \$750,000. The interest on the eastern section for half of eight years, or four years, would be \$7,800,000 more. If, as is apparently the expectation of the government, the bonds or obligations to enable the government to