

on the one ground that the Government would retain control by means of this fifteen per cent of capital stock. Within the last two or three days this has been one of the most prominent arguments in the Conservative press in defence of this project. If that were done it would remove one of my objections to the proposition.

We will have to divide the committee on this first clause because we cannot accept it under the present conditions.

Mr. GERMAN: The Solicitor General stated before luncheon that he would give some explanation as to why the Niagara, St. Catharines and Toronto Railway Company was not included in this enterprise. I would like to know if he is prepared to give that explanation now?

Mr. MEIGHEN: I am able to confirm what I stated before luncheon. What was then my impression, I have found to be correct. In regard to the Niagara, St. Catharines and Toronto railway, it is to be part of the system in the same way as any other part, but to complete the acquisition of it, it is necessary to deal with the Canadian Northern Ontario railway. Under the trust deed securing the perpetual debenture bonds of the Canadian Northern Ontario it will only be necessary to issue perpetual bonds in lieu of the stock acquired. The same restriction does not apply to the perpetual bond issue of the Canadian Northern Ontario. Consequently the perpetual bonds of the Canadian Northern Ontario can be utilized to discharge the indebtedness incurred for the acquisition of these stocks. When this road becomes the property of the Canadian Northern Ontario that is to be done, and the property of the Canadian Northern Ontario is all mortgaged to the extent to which the Canadian Northern Ontario gets any part of the proceeds. In addition, we have the stocks of the Canadian Northern Ontario itself.

Mr. GERMAN: The Niagara, St. Catharines and Toronto Railway Company has a large stock issue?

Mr. MEIGHEN: Yes.

Mr. GERMAN: What becomes of the stock?

Mr. MEIGHEN: It becomes the property of the Canadian Northern Ontario, not of the Canadian Northern. If it were put in the first part of the schedule it would

mean that the Canadian Northern itself would have to discharge the purchase price against it.

Mr. GERMAN: At any rate, it is included in the securities?

Mr. MEIGHEN: Oh, yes.

Mr. GERMAN: That is the main point. I want to call the attention of the right hon. Prime Minister to this feature. He said before luncheon, in reference to the ultimate cost of the construction of this line, that one could not say definitely as to what the maximum cost would be by reason of the various contingencies that might arise. He instanced the fact that the Grand Trunk Pacific had cost, by reason of the increased price of labour and other eventualities, considerably more than was anticipated. That is true, and the Grand Trunk Pacific obtained further subvention from this Government and from the previous Government beyond what was expected originally. I want to call my right hon. friend's attention to the fact that when this agreement is completed, if it is completed on the basis outlined in this resolution, the Canadian Northern railway cannot borrow money in the open market. The Grand Trunk Pacific is not tied up in that way by reason of anything that has been done in their aid by the Parliament of Canada. But when this arrangement which is before the House at the present time is completed, the Canadian Northern railway will be absolutely debarred by reason of having no chance of placing securities on the market, from getting any money for subsequent work excepting from the Parliament of Canada. They have no securities to take into the open market, they have no securities to dispose of, everything is mortgaged to this Government—as the Solicitor General states. For instance, if instead of the amount which it is anticipated will put the road in a position to complete the line and make it a transcontinental railway, doing that, supposing it comes \$40,000,000 short of being sufficient to complete the line, how is the line to be completed? The Canadian Northern railway will be in such a position that they cannot raise money in the open financial market, they will have to go to the Parliament of Canada; and if we are going into this thing we must go into it with our eyes wide open, knowing what the eventualities may be. One eventuality will be that the