

In addition to the matters dealt with in the foregoing draft Bill, I have also to direct your attention to, and to press for the removal by ancillary legislation of the exemption from taxation granted to the Canadian Pacific Railway Company under clause 16 of the schedule to chapter 1 of the Dominion statutes of 1881. The exemption as is well known is two-fold. First that in the words: 'The Canadian Pacific Railway, and all stations and station grounds, workshops, buildings, yards and other property, rolling stock and appurtenances required and used for the construction and working thereof, and the capital stock of the company, shall be for ever free from taxation by the Dominion, or by any province to be hereafter established, or by any municipal corporation therein,' and, second, in that part of the clause which reads 'and the lands of the company in the Northwest Territories, until they are either sold or occupied, shall also be free from such taxation for twenty years after the grant thereof from the Crown.' The effect of these exemptions is to prohibit any province which may be established—or any municipal corporation therein—from requiring the Canadian Pacific Railway Company to assist in the administration of the country or the maintenance of 'peace, order and good government' within its bounds with respect to a part of its property for ever and with respect to another part for a limited period of time. This exemption falls hardly upon the people of the Northwest Territories in a number of ways. The nature of the land grant to the company, in that it is spread over the whole country in small blocks of one mile square alternating with those open for homesteads, causes every dollar spent by the settler in the improvement of his homestead, where it lies within the districts reserved for the selection of the land granted on account of the construction of the Canadian Pacific Railway, to enhance the value of the lands held for the company in its neighbourhood. All public expenditures made in such districts for roads, bridges and other works of a similar description improve the value of the lands still held by the company under its main line grant, the company contributing nothing on account of such lands towards the cost of the works by reason of which they are benefited.

An examination of the terms of the grant to the Canadian Pacific Railway Company shows that the exemption will bear with particular stress upon any province established within the area referred to in the draft Bill. The paragraph lettered 'A' of clause 9 in the schedule to the 1881 Canadian Pacific Railway Act—chapter 1 of the statutes of that year—reads (a) the said subsidy in money is hereby divided and appropriated as follows, namely:

Central Section.	
Assumed at 1,350 miles—	
1st—900 miles at \$10,000 per	
mile. . . . .	\$9,000,000
2nd—450 miles at \$13,333 per	
mile. . . . .	6,000,000
	\$15,000,000

Eastern Section.	
Assumed at 650 miles, subsidy equal	
to \$15,384.61 per mile. . . . .	10,000,000
	25,000,000

And the said subsidy in land is hereby divided and appropriated as follows, subject to the reserve hereinafter provided for:

Central Section.	
1st—900 miles at 12,500 acres	
per mile. . . . .	\$11,250,000
2nd—450 miles at 16,666·66 ac-	
res per mile . . . . .	7,500,000
	\$18,750,000

Eastern Section.	
Assumed at 650 miles, subsidy equal	
to 9,615 acres per mile . . . . .	6,250,000
	25,000,000

The original land grant of 25,000,000 acres has been reduced by 6,793,941 acres at a cost to Canada of \$10,189,521, thus leaving the company to receive 18,206,986 acres. In other words, the amount of that apportionment of the land grant on account of the construction of the eastern section—or that part of the railway between Callender and a point east of Red River to which the road had been constructed from Selkirk by the government, all of which lies in the province of Ontario—has been exchanged for cash at the cost of the people of the Territories equally with those of every other part of Canada. Of the balance of the land grant, the company has selected some 2,500,000 acres within the province of Manitoba, leaving the balance to be selected from the lands within the Northwest Territories out of the extensive areas reserved for that purpose. This particular grant is that made on account of the construction of the central section of the railway, namely, that from Selkirk to Kamloops, which has been definitely ascertained to be a distance of 1,250 miles. This distance is divisible as follows: Manitoba, 220 miles; Northwest Territories, 760 miles; British Columbia, 270 miles. It is therefore apparent that a proportionate area, based upon the mileage through the province at the rate granted per mile through the prairie portion of the central section (220 miles at 12,500 acres per mile, being 2,750,000 acres) has not been taken from Manitoba lands, and that in addition to this shortage of 25,000 acres the whole of the grant earned by construction through British Columbia (at the mountain rate of 16,666·66 acres per mile) is being made, out of the lands of the Territories. Even if, under any process of reasoning, the exemption clause can be justified as regards the construction of the railway through the Territories, it is not thought that the Territories can in equity be required to bear this extra burden on account of the construction of the railway through the provinces of Manitoba and British Columbia. If they are so required, the people of the Territories, who are individually contributing equally to the cost to Canada of the interest upon the debt created by the payment of the original bonus of \$25,000,000, the payment of \$10,189,321 for the repurchase of the land grant on account of the eastern, or Ontario, section of the railway, together with the annual payment of \$100,000 to British Columbia for the lands conveyed to Canada under the terms of the imperial Order in Council of May 16, 1871, to aid in the construction of the railway, will be also liable to bear whatever the exemption from taxation under the Canadian Pacific Railway Act of 1881 may mean. By the terms of that Act the province to be established—or any municipal corporation therein—will be prohibited from taxing the company or its property in any manner or for any reason. Unless invidious comparisons are made between the Canadian Pacific and other railway companies this will mean the