

City of Montreal, of the Victoria Bridge as it is at present or as it shall be after contemplated reconstruction, and all other line or lines of railway and property from the Victoria Bridge to Ste. Rosalie Station, the point at which the Grand Trunk Railway is intersected by the Drummond County Road.

The rental demanded for these privileges is apportioned by the Grand Trunk Railway over the three divisions of their property indicated above, as follows :—

For the terminals, \$62,500 ; for the bridge, \$10,000 ; and for the line of railway, \$37,500, making in the whole, the total rental mentioned—a sum which it is believed will not be considered unreasonable nor excessive, having regard to the value of the privileges acquired.

The offer finally made by the Drummond County Company is to lease to the Crown the Chaudiere and Levis portion of the railway now under contract by them from the Grand Trunk Railway Company at an annual rental of \$6,000 to complete according to the standard of the Intercolonial and lay with 70 pounds steel rails, with necessary station-houses, &c., the unfinished portion of their line to Chaudiere Bridge, and to lease this portion of the property, exclusive of the Chaudiere and Levis portion, to the Crown at an annual rental of \$64,000—the whole line, and parts of lines thus acquired, to bear an annual rental of \$70,000 for a term of 99 years.

The conveyances and contracts which are to be executed between the Drummond County Company and the Crown, if this proposed arrangement is concluded will contain covenants and conditions providing that a sufficient portion of the rental above stated shall be so applied as to extinguish all bonds issued by the Drummond County Company, which will exceed two millions of dollars (\$2,000,000) at the expiration of the lease, at which time the legal title to all the property of the company, held by the Crown under such lease, is to become vested in the Crown free from all incumbrances.

The Minister adds that it will be observed that neither of the above mentioned companies offers to sell their properties. So far as the Grand Trunk Company is concerned, the sale could not, for obvious reasons, be contemplated perhaps by either party. But as to the property of the Drummond County Company, he would have favoured a purchase in preference to a lease, had the company been disposed to enter into negotiations on that basis, being unwilling to do so, the only remaining alternative to the acceptance of the company's offer if the extension to Montreal is to be proceeded with, would be for the government to undertake the construction of a new line of railway, which would not only be parallel, but throughout its entire length would run contiguous to that of the Drummond County Company. The building of another contiguous line of railway by government to the existing line would, under the circumstances, very seriously impair, if it would not totally destroy, the property of the Drummond County Company, and unless it should be considered that the rental demanded by the company represents a capital sum greatly in excess of what it would cost the government to build a new line, or greatly in excess of any advantages which would be likely to accrue to the government by the acquisition of the existing line, it is doubtful if such a policy would commend itself to public approval. As to the cause of building such new line between the Chaudiere bridge and Ste. Rosalie, the chief engineer of government railways estimates that the sum of \$1,600,000 would be sufficient for the purpose ; although it is only fair to the Drummond County Company to mention that the official statements and engineers reports received by the Department of Railways and Canals from time to time during the progress of the construction by the Drummond County Company, show the company's outlay for the portion of their line so far constructed to fall little if anything, short of the estimate of the chief engineer of the probable cost of the whole line. Possibly this difference may be to some extent accounted for by the present reduced cost of labour and materials—more especially the latter—and by the interest charges and commissions which were probably paid by the Drummond County Company in financing their undertaking in excess of what, under similar circumstances, would be the cost to the government.

The annual rental of \$64,000, exacted by the Drummond County Company represents, it will be observed, interest at 4 per cent upon the present cost of laying down a new line of railway over the same route, according to the estimate of the government engineer.