

reasonable capitalization. The Canadian Pacific Railway Company has a capital now of \$85,000,000. We must not mix up the bonds and capital stock, they are entirely distinct things. A person who buys stock knows what he is buying, and a person who buys bonds knows what he is buying. They are not a part of the capital, and my hon. friend showed that he was aware of that when he joined the two. I say in view of the fact that the Canadian Pacific Railway is capitalized at \$85,000,000, it is only fair that we should be given the capital we ask for. I do not think it is an over-capitalization at all. I think it is a fair capitalization, and I ask the committee, to let this section pass.

The MINISTER OF RAILWAYS AND CANALS. It does not appear to me that it is at all necessary or important, from the standpoint which has been urged by the other side, that this Bill should stand. If the government decide to come to the assistance of the Grand Trunk Pacific, it can only do so by an Act of parliament, and when that Act of Parliament is proposed, it can declare and lay down the route upon which the line shall be built, and authorize the Grand Trunk Pacific to build its line according to the route indicated in that measure instead of according to the route laid down in this charter. That is not unusual legislation; that will be effective legislation. Then as to any other terms, as to the capitalization, we would have regard to that in the Bill which we would submit to the consideration of the House, and under which we would be asking parliament to assist this undertaking. I see no difficulty. The Grand Trunk Pacific will take this charter, and if they do not get the assistance they can go on, and they are entitled to go on with it, the same as any other company that comes to parliament. The committee has to deal with this Bill from all points of view, and when we as a government have reached a conclusion as to the course we will take, if it becomes necessary to make any material change in any respect in the charter of this company, we must do so by amending the charter in declaring the routes and other questions upon which the aid is to be given and under which the company is to be authorized to build by means of this aid.

Mr. BORDEN (Halifax). Whether this company receives government aid or not, I say that its capitalization, under which we will include the bonding powers, ought to bear some reasonable proportion to the cost of the road, and I am taking the prairie section as an illustration. My hon. friend from Saskatchewan (Mr. Davis) says that the stock and the grant capitalized by way of stock has nothing to do with the question. I point out to my hon. friend that if you take for example the case of the Canadian Pacific Railway to-day, let us assume

that the stock of that railway was disposed of at a very small figure at first, it is chiefly now in the hands of bona fide holders, not of the people to whom it was issued in the first instance. If the proposed board of railway commissioners should have the power to deal with the rates fixed by the railway, when the railway is completed it would be influenced, beyond doubt, by the fact that this stock at the present time has been paying dividends, that it is in the hands of bona fide owners who paid for it, and the rates imposed by the railway company on the products of the west would perhaps be fixed at a higher amount than if the capitalization had been a smaller amount in the first instance. I am putting it like that, by way of illustration. If you build this Grand Trunk Pacific Railway and you capitalize it by means of a stock and bond issue for double the amount it would cost to construct the road the result which I have indicated will follow. That stock is issued under arrangements that are very well known. Even where there is no power to issue below par it is very often issued by means of an agreement between a construction company and a railway company, and then only a small portion of the par value is really paid for the stock in the first instance. Stock passes into the hands of people who pay par for it and the railway goes on and prospers and pays a dividend upon that stock. It is impossible to make me believe that the fact of that over-capitalization will not have some effect upon the rates which shall be levied on the railway in future. It is absolutely inconceivable that such a power will not be exercised by the company and the time to be careful about a matter of that kind is now, when the Bill is going through the House. When this Bill has passed through the House it is extremely improbable that any change of the character which has been suggested will be made in it, and we will find the company secure in its rights to issue stock and bonds to the extent of \$40,000 per mile to build and equip a portion of the road which will only cost \$18,000 per mile. I am willing to withdraw any objection I have to this apparently excessive capitalization if it can be shown that any one of the arguments that have been addressed to the House on the subject is fallacious, but until that is done I must persist in my objection to a capitalization of the kind which is proposed in this Bill.

Mr. McCARTHY. The hon. gentleman (Mr. Borden, Halifax) will see that the bonding privilege on the prairie section is only \$20,000 per mile. That is the method by which every corporation raises money for the purpose of construction.

Mr. BORDEN (Halifax). What is to become of the capital stock?

Mr. McCARTHY. I was going to ask the hon. gentleman that question myself. What would become of the capital stock if