

Canada would be credited with the amounts already expended:—

On the Welland Canal..	\$ 85,000,000
On improvements below Montreal.. . . .	32,000,000
	\$117,000,000

Canada would have to spend an additional amount of \$69,000,000 for which Canada would have 665,000 horse-power fully developed and installed. This amount of power distributed 283,000 horse-power in the Province of Ontario and 382,000 horse-power in the Province of Quebec should be readily disposed of under conditions that would relieve the Federal Treasury of any further burden in connection with the capital cost of the whole undertaking.

It should be noted that in this set-up the United States are asked to take their *two-thirds share* of the expenditure of \$105,210,000 in the Soulanges section, whereas improvements for navigation alone could be carried out at a cost of \$40,000,000. This would make a difference against the United States of \$43,474,000. On the other hand, Canada is assuming in the International Rapids section, on account of navigation improvements, a substantial share of the cost which will accrue to the benefit of power development which Canada may not be in a position to utilize for many years to come. Additionally, Canada is assuming *one-third* of the expenditure on the Great Lakes improvements, whereas, if the expense was divided on the basis of tonnage of the two countries Canada's proportion would probably be 1 for Canada to 15 for the United States. This represents a difference of \$17,360,000 against Canada. If we take into account that Canada would assume the cost of operation of the Welland, Soulanges and Lachine canals and the future capital and operating costs of the St. Lawrence channels below Montreal it would not seem unreasonable to include in the cost of navigation works in the Soulanges section the cost of power development incidental thereto and to adopt the *two-thirds* to the United States and *one-third* to Canada basis of apportionment.

POWER DEVELOPMENT

14. Canada would then be in a position to secure as and when needed the following:—

(a) In the International Rapids Section:—

Half of the power remaining in this section, that is 756,000 horse-power at a cost of \$46,000,000, which is half the total cost estimated at \$92,000,000. The power so developed would cost about \$60 per horse-power, capital value, and prove to be a decidedly profitable and desirable asset.

It should be noted, however, that in all probability this amount of 756,000 horse-power will not be required for Canadian use for some years. On the other hand, it is possible that the United States may desire to secure in the near future their share, amounting to 756,000 horse-power. In such a case, it would appear reasonable that an understanding be arrived at between Canada and the United States whereby the United States would undertake to build at Barnhart Island, at their own expense, all the dams, dykes and substructures necessary for the eventual full development. When and as Canada is ready to use its share of the power, in whole or in part, it will then build its own power-house and install the necessary machinery at its own expense and will then reimburse the United States the cost of the dams, dykes and substructures, *without interest*, in the proportion that the successive installations made by Canada bear to the total power capacity. Such an arrangement would entail