

tend all the way from the Atlantic to the Pacific. Would it not be a reasonable thing to have all the stock, not making it \$100,000,000, but making it \$10,000,000, which is all that it would be thought by any body in this world to be fairly worth, placed in the hands of a trustee, or of a trust company, as security to the people of Canada for the liability which they are undertaking in endorsing the bonds of the company to the extent of \$45,000,000? Provided that at any time within, say, five years, the people shall, through this Government determine to take over the Canadian Northern railway, they shall have the right to take it over at a valuation not to exceed some \$5,000,000 to \$10,000,000 which is the utmost that the equity of redemption is worth to-day. I do not say that in five years the people of Canada will want to take it over but they ought to have the right to take it over if they so desire. They are assuming the liability and they are making this property valuable if it can be made valuable. Without Government aid it has no value, without Government aid it would go into the hands of a receiver according to the statement which the Government has made publicly to this Parliament.

Mr. MEIGHEN: I understand the hon. gentleman to say practically that he does not think that we should bind the people of Canada in five or ten years to take over the undertaking but that it should be left optional?

Mr. PUGSLEY: That it should be left optional. The proper thing to do would be to compel Mackenzie and Mann to give to the Government an option to take over this undertaking at what to-day would be considered by everybody to be a fair and reasonable valuation. I would have the valuation fixed by arbitration but not to exceed a certain amount and from \$5,000,000 to \$10,000,000 would be the utmost valuation which any body to-day would put upon the equity of redemption in the property. That is a provision which ought to have been made. I quite agree with my hon. friend from Welland as to what he said with regard to the disposition of this stock. The stock ought not to be \$100,000,000. It is an utterly indefensible thing to issue this vast amount of stock and then to ask this Parliament to declare that it shall be regarded as paid-up and

[Mr. Pugsley.]

non-assessable. But I agree with my hon. friend from Welland that stock to a reasonable amount, representing a fair capitalization on the equity of redemption, should be placed in the hands of a trustee for the security which the Government gives and that, the people of Canada coming to the rescue as they are to-day for the purpose of pulling this undertaking out of a difficult position, the Government should have an option of taking over the property at a fair and reasonable valuation. That fair and reasonable valuation would be represented by the paid-up stock which ought not to exceed between \$5,000,000 and \$10,000,000. It is utterly indefensible to take an equity of redemption in a property which no one would pretend to say is worth more than a few million dollars and issue stock to the extent of \$100,000,000 as fully paid up and non-assessable against that property.

Mr. BORDEN: My hon. friend (Mr. Pugsley) is very severe on his colleagues and upon himself, who permitted legislation under which the capitalization of this system might be fixed at not \$100,000,000 but at \$145,000,000 which we have now reduced to \$100,000,000. As to the value of the stock security, I shall not take up the time of the committee to repeat what I said a moment ago in answer to the right hon. the leader of the Opposition and the hon. member for Welland. That security depends on the physical assets and the stock cannot give us any additional safeguard by way of security.

Mr. GERMAN: The authorized capital stock of the Canadian Northern Railway Company is \$92,200,000.

Mr. BORDEN: I said that not the authorized but the issued capital of the company constituting the Canadian Northern Railway system was, under legislation authorized by hon. gentlemen opposite, \$145,000,000.

Mr. PUGSLEY: Does my right hon. friend say that Parliament authorized the issuing of the stock as fully paid up without a dollar of cash being paid upon it?

Mr. BORDEN: It was done under the legislation.

Mr. PUGSLEY: To be issued as fully paid up?

Mr. BORDEN: Under legislation permitted by hon. gentlemen on the other side of the House that was accomplished.