

Government or not depends upon the fact, not yet ascertained, as to whether three-fourths of the actual cost of that section will exceed \$30,000 a mile or not. If it does, then the liability of the Government is somewhat increased.

Paragraph 21 of the contract was amended by adding a clause, providing that in the event of the Government determining to undertake the operation as a Government road of the Eastern Division, the company shall be entitled, for a further period of 50 years, to such running powers and haulage rights as may be necessary to continuity of operation between the Western Division and the other portions of the Company's system and the Grand Trunk Railway system, upon such terms as might be agreed upon.

An additional arrangement provided that in case, during the currency of the lease of the Eastern Division, the company shall have constructed a branch line or lines connecting the Trunk line with other lines in Canada, the Government shall, if at the expiration of the lease it shall determine to operate the Eastern Division, take over such branch line or lines as the company may elect not to retain, at such value as may be agreed upon, or be arrived at by arbitration, or reference to the Supreme Court. If, however, any such branch lines shall have received any aid from Parliament, the amount of such aid, without interest, shall be deducted from the valuation, and the difference only shall be payable by the Government. That is to say, that any aid given by the Government to any branch line which they take back, must be allowed for in the transaction.

ORIGINAL FEATURES RATIFIED BY AMENDED AGREEMENT.

It will be seen that the amendments in no way modify the important provisions of the original contract drawn up in the public interest. The general scheme is not in the slightest affected by any change. The original features of the contract are not only retained, but expressly confirmed and ratified by the amended agreement.

Let us glance at them again. The company came to the Government and asked permission to pledge a portion of the common stock, so as to assist them in raising money. The Government only agreed on condition that the Grand Trunk should retain a controlling interest in that stock. The question is not of immediate importance. It is only of importance in relation to the capitalization of the railway, and in respect of the amount upon which dividends shall be earned and freight rates be based. If the capitalization is excessive, and there is in the contract a provision which leaves to the company the fixing of freight rates, then the matter would be of immediate importance. There was inserted in the C. P. R. contract a clause providing that until the Company earns ten per cent upon its capital, the Government would have no control of rates. But under this contract the Government have the most unlimited power to fix the rates of the Grand Trunk Pacific. This transcontinental railway is to come as completely under the control of the Railway Commission as the smallest railway in the country. On page 3582, revised Hansard, 1904, will be found a complete explanation by the Minister of Finance, showing that there is no possibility for watered stock of the company to be considered in the fixing of the freight rates. The main point, therefore, in the change allowing the Grand Trunk to dispose of a portion of the common stock, was to assist the company to finance the construction of the road, and in doing this they had the approval of Mr. Blair, who said:—

"If the country is so adverse to taking up the construction of this particular road by the general Government, if the country will prefer that the work shall be done by a company, then you will have to put the instruments into the company's hands to enable them to raise the money. Before the company is put upon its