on. After careful examination the Crown is willing to concede the main part of this expenditure. There are one or two items objected to, not of very much moment, and I think the evidence adduced has satisfied Crown counsel that these items should be allowed, however, it will be a matter for later consideration.

The judge deals next with the Lotbinière and Megantic railway. He says:

Dealing with the Megantic Railway, the amount involved in this railway is comparatively speaking not very large, but I think that further proof of a similar nature to that suggested in regard to the Montmorency Railway should be forthcoming. The only evidence given is that of Mr. Robins, the manager of the railway, and it is a mere surmise. He may or may not be correct when he states that it would probably cost about $11,000 a mile. I think, however, some evidence by outside witnesses qualified to speak should be forthcoming.

He then deals with the Saguenay railway, and says:

Mr. Matthews, the manager of the railway, was called as a witness. He states that the construction of the Quebec and Saguenay railway was started in April or May, 1911. Previous to that he believes exploration surveys had been made. He points out that the main construction on this road stopped some time about September, 1912, but certain small constructions were continued for quite a while. He also states as a matter of fact, on what is known as the branch spur line, from Murray Bay wharf to Nairn Falls, very considerable work was done in 1915. That branch is 7.6 miles in length, he thinks. He goes further and explains that this spur line was constructed for the purpose of handling pulp from a pulp mill situate at Nairn Falls. Referring to the main construction he states as follows:

"Q. You say that it was financial trouble that stopped you?

A. Financial trouble that stopped us.

Q. How long has it been stopped—ever since?

A. Yes.

Q. Since 1912?

A. September or October, 1912."

No further work was done with the exception of repairing crib work on the spur line, but on the main part of the line from St. Joachim to Murray Bay nothing has been done since October, 1912, and the work had to be stopped on account of the lack of money.

It is well to bear this fact in mind when you come to consider the claim made by and on behalf of the Saguenay railway. There appears to have been two flotations of bonds, and to float these bonds a discount had to be allowed of $833,600. There were fees paid according to the statement in connection with the listing of the bond issue amounting to $63,465.09. Counsel on behalf of the Crown objected to those items. It would also appear that in making up their claim of $5,543,260.89, there is an item charged of interest on the bond issue of $1,012,950. This item is also objected to by counsel for the Crown. I think the objection taken by Crown counsel is well founded. I am of opinion that this item of $1,012,950 interest payable right up to 1917 is not a charge that can be allowed under the terms of the statute. The work of construction as I have pointed out, with the exception of that small spur line, so to speak, from Murray Bay to Nairn Falls, stopped in October, 1912, and has never been gone on with, so far as the company is concerned. While, as I have stated before, as between the directors and shareholders it may be right to put in all these items of cost I do not think that as between the vendor and purchaser having regard to the wording of the statute they are proper sums to be allowed. The statute, as I have pointed out, is precise and to my mind unambiguous. The consideration to be paid is the value of the railways, the said value to be the actual cost of the said railways less subsidies and less depreciation.

Then there are two or three pages of legal argument and citation of cases, giving the decisions of the court upon questions of actual value. I do not think I will trouble the committee with reading them, because, after all, we have to take up the conclusion arrived at by Mr. Justice Cassels. His conclusions are:

In Kirby & Stewart vs. The King (1) a case tried before me, I refused to allow the contractor interest which he had paid to the bank for moneys required for the purpose of the construction of the work. That case was appealed to the Supreme Court of Canada and my ruling sustained. There is a difference between that case and the present in this respect: the claim there made was by the contractor, and he had been allowed the usual contractors' profits. The words of the reference, by the Order in Council in that case, were that he was to be allowed the "actual and reasonable cost."

To my mind, to allow these charges for obtaining money and the interest for a period of years might make the matter almost farcical. The railway might have laid dormant for a period of another 20 years, meanwhile the interest on the bonds would have to be paid, amounting to two or three more million dollars, all of which, assuming the company paid the interest would be charged up in their books to the shareholders, and if the argument put forward is correct in that case, the Crown when paying what is defined by the statute to be the actual cost of the railways would be paying some three million dollars odd for interest for which no value is given in return.

The views of the various accountants seem to vary. Some of them apparently were rather shocked at the length to which their evidence would lead, and came to the conclusion that the interest could only be a proper charge during a reasonable period of construction.

It will be easy when the case is concluded to arrive at the amount which in my judgment ought to be allowed. There will have to be deducted the allowance for depreciation which has been settled. There will also have to be deducted the amounts received from the Dominion and provincial subsidies. These sums are not in dispute. There will also have to be deducted these items that I have just been referring to in connection with the Saguenay railway and any amounts that