

taking now being considered? First of all, there is the bonding power on the prairie section of \$20,000 per mile, then there is the bonding power on the other sections, apart from the mountain, of \$30,000 per mile, and on the mountain section of \$50,000 per mile. The value of these bonds will be fixed by the value of the undertaking and the subsidy given by the government, and in my opinion—in which I differ a little from my hon. friend the leader of the opposition and my hon. friends the Minister of Railways and the Postmaster General—whether the bonding power be fixed at \$20,000 per mile or \$200,000 per mile would not matter so far as the investing public is concerned. Then, as to the fixing of rates afterwards, the commission would take into consideration not the watered stock, not the fancied amount of bonds issued, or any other securities placed upon the undertaking; they should fix the rates upon the value of the undertaking itself, and its earnings, and that should be the only consideration. The amount that is issued, may affect the feeling of the commissioners in determining the value of the undertaking. That certainly is the view that has been taken by the present government; it was the view taken by the Minister of Railways and Canals (Hon. Mr. Blair) and by the Postmaster General (Hon. Sir William Mulock), and asserted again and again before the committee. The amount of capital issued must have a little influence in determining the rates. But if the board properly inquire into this subject, it ought not to have that effect. Now what is the amount really available for the building of this road? The only amount available for the prairie section—and I am sorry to be obliged to differ from so many hon. gentlemen who have spoken on the subject—is \$20,000 a mile. It is true, you may give stock; you may give it to the contractors for building. But they will get the full amount of their pay for the work they do in the cash realized from the bonds, and the value of the stock will amount to nothing. The only effect it can have is to remain as an incubus upon the undertaking, which, at some time, may influence a board in fixing the rates of charges upon the road.

Mr. BARKER. The hon. Minister of Railways has told us that the clause to which he has referred is one which he proposed to put into the General Railway Act.

The MINISTER OF RAILWAYS AND CANALS. I propose to ask the committee.

Mr. BARKER. I quite understand—the minister intends to suggest such a thing. The only difference between this section and the one in the Act seems to be this, that the directors shall only give what is a fair and bona fide value, according to the opinion of the directors, for the service rendered. I really do not think that will be

much protection to the public. In the case I have put, the construction company will be so intimately connected with the directors, if it will not consist of the same individuals, that there will be no difference of opinion between those who are to give the stock and those who are to receive it as to what would be the bona fide and fair value. They will have the whole matter to settle among themselves. I do not think that this alters in the least the effect of the clause as it already stands in the Act. No body of directors, when they pass a resolution to give a large amount of stock to the construction company, ever give anything but what purports to be a bona fide and fair value, so far as the resolution goes. They do not commit frauds, they only take a generous view of what the construction company and those interested should receive; and in that way, the stocks are watered and enormously increased beyond what they ought to be. That is the only point I am making and the only point I am referring to, and I refer to it not to discuss this clause, but because of its effect upon the amount of capital the committee should authorize the company to issue. The question of capital should be considered with regard to its effect upon the rates the public will have to pay to the company. It is a very important question. There is no doubt that the heavier the stock, the more the public, sooner or later, will have to pay for the services given. I understand the hon. member for South Lanark (Hon. Mr. Haggart) to say that this is a trifle. But I think that the public, as a whole, look upon it as a very serious question. Therefore, we ought to know from the government what really is required for this undertaking. I presume that the government know, very closely, what ought to be allowed for each section of the road. We ought to have some particulars, some more definite information as to how this amount of \$75,000,000 has been arrived at. Why do they want that sum? And would not \$50,000,000 be adequate?

Mr. OLIVER. The question has been discussed as to the danger of over-capitalization of railways in connection with this clause. In the Railway Committee, I have always been one of those alluded to by the ex-Minister of Railways and Canals (Hon. Mr. Haggart) as always opposing over-capitalization, and for the reason he has stated, that, in my opinion, the Railway Commission, in fixing rates, would naturally take into consideration the amount of capital on which dividend in one form or another, would have to be paid out of the earnings of the railway. It seems to me that is correct, because, if parliament authorizes issues of a certain amount, either stock or bonds, parliament is certainly a party to that issue, and could not, as a matter of good faith, stand in the way of a possibility of dividends being paid upon those stocks and bonds.