

the company to have the terms of their contract varied, in consideration of completing the road earlier than called for. Each variation meant a substantial concession to the company. The latter agreed in 1881 to build the Canadian Pacific road in consideration of its receiving from the Dominion Government 25,000,000 acres of land, \$25,000,000 in cash and a gift of the government road, 713 miles in length, which cost \$35,000,000. On the security of the land grant the Government in addition guaranteed bonds to the extent of \$25,000,000. The proceeds of these bonds were paid to the company in agreed mileage proportions as construction progressed.

Exploiting Country's Credit.

In December, 1882 the balance of the proceeds of these bonds due to the company and that from the cash subsidy amounted to \$31,500,000. Sir George Stephen, on Dec. 12, of that year, writes: "It is believed that this sum with the proceeds of the capital stock remaining unissued (exclusive of \$10,000,000 which is to be reserved) will be sufficient for the complete construction and efficient equipment of the road, and that 1,800,000 acres of land will be more than sufficient to extinguish the outstanding \$2,700,000 of land grant bonds."

Fixing Dividend for Shareholders.

A year later, however, in Nov., 1883, the company wanted more money for construction purposes. With assets at their disposal of such proportions, the directors could not finance their requirements. The credit of the Dominion was, however, sound and to get the use of it, Sir Geo. Stephen proposed that stock up to \$65,000,000 be issued and that the Government guarantee on the whole of that amount, dividends at the rate of 3 per cent. In consideration of this being done it was proposed to hand over to the Government:

Cash down	\$8,561,733
Cash, Feb. 1, 1884	2,853,912
Cash in five years	4,427,000

\$15,842,645

Guaranteed Dividend, Then Borrowed From Government.

And, also, to deposit with the Government the remaining \$35,000,000 of authorized stock. This proposal was agreed to by the government on December 7, 1883. In a very few weeks, shortly after the turn of the year, it was found that the company was

again in difficulties and again came back to parliament with an application for aid. This time a request was made for a loan of \$23,500,000, that payment of \$2,853,912 due in February be deferred until November 7, 1883, and that the \$1,000,000 deposited as guarantee for performance of contract be returned.

Violates the Law.

Parliament, despite vigorous opposition, agreed to this. Hon. Ed. Blake on that occasion made a severe arraignment of the company. Of the liberal dividends paid, despite the continued demands for help from Parliament, he said: "The law says that the interest may be paid during construction at the rate of 6 per cent upon the amount actually paid up; and the stock being issued as paid-up stock the company assumed itself to be entitled to pay interest at the rate of 5 per cent upon the amount paid up. I maintained before, and I maintain now, that that is an illegal operation; that the railway act which is the only authority for taking capital of the company and applying it in payment of interest during construction, expressly limits that somewhat dangerous power to a 6 per cent dividend upon the actual amount paid upon the stock, and that to agree to pay 5 on every \$100 when 46 or 50 have been paid, is to evade—not to evade, but really to violate the law."

Money Goes to Shareholders Instead of Road.

Continuing Mr. Blake said: "I have shown the house that the stock of the company has been emitted at an average price net to the company at 46 and upon this they have agreed to pay interest at 5 on the \$100 which means a rate of almost 11 per centum per annum payable half yearly."

The opposition to this agreement being effected with the company was largely on the ground that the original members of the Canadian Pacific railway syndicate were not applying to the purposes of the road all the money they were receiving and in honor-bound to put into the road. Mr. Blake referred to them, even as far back 1884, as having "built lordly palaces and made magnificent benefactions." The company, however, got what they wanted. If their credit was not high that of the country was.

Another Loan of Cash.

In the following year, in 1885, on March 18, George Stephen came back to the government for another loan.