ance, because of the experience which this country has had with another contract, not made by this government but made by the political party with which the hon. gentlemen opposite are associated. In the Canadian Pacific Railway contract there is what is called the 10 per cent. clause. By that clause it is provided that until the company earns 10 per cent. upon its capital the ordinary provisions of the Railway Act respecting the supervision of railway rates shall not apply. That has been regarded, especially in recent years, as a very objectionable condition and we know that the people of the Northwest have protested against it and have in the strongest manner asked that some relief be afforded.

C. P. R. AND G. T. P. BARGAINS COMPARED.

At this moment there is pending in the courts a suit for the purpose of determining what constitutes properly the capital of the Canadian Pacific Railway upon which earnings are to be computed. I do not for a moment presume to say what the decision may be, but I point out that there is great difference between the former contract and the present one, that whereas there was such a clause in the former contract, the Canadian Pacific Railway contract, and it therefore became a matter of importance as respects that contract to be able to determine what the capital is, no such importance can be attached to the question of capital in this contract because there is no 10 per cent. clause. In the case of the Canadian Pacific Railway you have to submit the question to the decision of the courts in order that you may find out whether the capital upon which the interest is to be earned and upon which freight rates may be based means the 25 cents on the dollar for which Canadian Pacific Railway stock at one stage was sold, or whether it means the whole dollar which the shareholders no doubt will claim to-day. That point has to be settled as respects the Canadian Pacific Railway, and if we had a similar clause in this contract it would be of vital importance to us to take care that no watered stock should be computed in the capital of the road; but inasmuch as there is no 10 per cent. clause in this contract, it is not of importance. I have pointed out before, and only repeat it now by way of record, that in the Railway Act of Canada we have the most unlimited and unqualified power to fix the rates of the Grand Trunk Pacific. There is no limitation such as the late government placed in the contract of the Canadian Pacific Railway. This Grand Trunk Pacific is to come as fully, as completely, as unreservedly, as respects freight rates, under the control of the railway commissioners of Canada as the smallest railway within the Dominion. This point is of the utmost importance, because conditions which might have been necessary in the case of the Canadian Pacific Railway with a 10 per cent. clause are not necessary in this case when there is no such clause. Therefore while I myself would have preferred, for reasons which I gave in the debate last year, that that contract should have remained as it was, still the change that has been made is not open to objection as fully as the hon. gentlemen think it is. The hon. the leader of the opposition (Mr. R. L. Borden) speaking of it to-day, made repeated references to watered stock upon which dividends would have to be earned and upon which freight rates would have to be computed.

NO WATERED STOCK UNDER THE LIBERAL SCHEME.

There is no possibility under the legislation respecting this contract for watered stock to be considered in the fixing of freight rates. The Railway Act, section 309, provides the fullest and most ample authority for the railway commission to inquire into all the operations of railway companies, and to find out not only their nominal capital, but to find out exactly what that capital represents, what good was done by the company with it, what value was received, and then the commissioners can judge what capital is to be the basis on which a reasonable interest will be allowed. Section 309 is lengthy, but if the House will permit, I will read it, because it has not yet been read during the discussion. This section provides:

The board may from time to time, by notice served upon the company, or any officer, servant or agent of the company, require it, or such officer, servant or agent to furnish the board, at or within any time stated in such notice, a written statement or statements showing in so far, and with