

Mr. SPROULE. If you have not determined the exact rate of interest that should be paid, then it cannot be anything that accounts for the reduction in the debt, it must be something else, and what is it?

Hon. Mr. FIELDING. We have to determine the principal sums, and they affect the reduction of the public debt. The principal sums have been determined, but the rate of interest to be paid on these moneys is the point at present in dispute.

Mr. HENDERSON. I understand that the sum on which the Ontario government claims they have a right to pay only 4 per cent is that sum of \$1,800,000 which was found by the arbitrators to be due to the Dominion of Canada by the province of Ontario as a part of the debt of the province, which we are told so frequently does not exist. I understand the province of Ontario is only expected to pay 4 per cent on that money. I understand also that the Prime Minister is setting up the pretension that he should not be called upon to pay more than 4 per cent on the old trust funds that have existed since confederation, namely the Common School Fund, the Grammar School Fund and the Building Fund, amounting to between \$3,000,000 and \$4,000,000. I also understand that under the British North America Act and under the award which was made away back in 1873, the Dominion was bound for all time to pay 5 per cent on these moneys, and that was considered a portion of the revenues of the province of Ontario. I regret very much that any proposal has been made either by this government or by the Ontario government to pay over these moneys. I think it is well that the province of Ontario should not be allowed to receive that money and appropriate it for any other purpose than that for which it was originally designed. It was for the support of the public schools and asylums and other charitable institutions that the funds were created more than half a century ago. I think it is well these should remain intact. The province of Ontario will have a continuous revenue, independent of her other resources, and that will postpone the time when more direct taxation will be called for that province. I hope the Dominion government will not press this matter, and that they will continue to pay the 5 per cent to the province of Ontario rather than see that fund absolutely destroyed. May I ask the minister whether, in this question that is being raised between the province and the Dominion, there is any proposal to pay off this \$2,848,000, which is properly a capitalized subsidy that was granted in 1894, and which I do not think was ever intended as capital when it was originated? As far as I can judge, the Acts of parliament creating it never designed it as capital, but I am aware of the opinion of the Finance Minister that

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it is capital and also that the province of Ontario treats it as capital. If that subsidy is to be capitalized and the capital sum handed over to the provincial government of Ontario, then in the course of a few years Ontario will be stripped of a very large part of its annual revenue. The provincial government would not be able to invest the money elsewhere as profitably, and I fear that the money will find its way in a short time into some other investment; possibly \$2,000,000 of it might be laid out at the Sault or in some other scheme which the province would have cause to regret in a few years. I think the money is much safer in the hands of the hon. gentlemen on that side of the House.

Sir WILFRID LAURIER. Hear, hear.

Mr. HENDERSON. Than in the hands of even the present government of the province of Ontario, and I would express the hope that the government will retain the money and give us the annual revenue that accrues from it and will not consent to treat the subsidy of \$142,000 as anything but a subsidy, and will continue to pay it as a subsidy.

Hon. Mr. FIELDING. I think that as regards the funds referred to in the latter part of my hon. friend's remarks there is no question as to whether or not the province could legally withdraw that amount, because while they receive 5 per cent interest on this money it would be very foolish on the part of the province to withdraw the principal, and I think that the province will be only too glad to let these funds stand bearing 5 per cent interest. The only portion in dispute is the other item, and although my hon. friend, with a loyalty to his province which we should admire, thinks we should go on paying 5 per cent, it is after all a question of what would be a legal and fair interpretation of the transaction and I think this should be decided by the proper authorities. There is no desire to drive a hard bargain with the province, but simply to get a fair and proper interpretation of the arrangement.

Mr. OSLER. Are steps being taken to submit the question, which has been in dispute for a great many years to some tribunal, in order to get it out of the way.

Hon. Mr. FIELDING. The differences in past years have been in regard to the principal sums involved. These differences have been disposed of and cleared up and while we are not making rapid progress, we are making good progress. We have reached a point when we can say that the principal sums have been determined. The only large question remaining now is in regard to Treaty No. 3, the Indian Lands Treaty. There is a question in dispute there which possibly could not have been legally dealt with by the arbitrators. There was doubt