

7th. That the special sources of revenue anticipated to come in before the money could be spent on the works and the other securities which were laid aside to meet the outlay have much exceeded the estimated amount, and the securities have actually been realised and are now in the shape of cash deposits with the Dominion bankers, on the condition of being drawn for as required for the Intercolonial works.

I learn that the special cash deposit amounts at the present time to about \$4,800,000, the India stock to about \$690,000 beyond a general balance of about \$1,800,000 cash at call with the Dominion bankers, while the Government also holds 300,000 l. sterling of Imperial guaranteed bonds, representing an equal amount paid to the Hudson's Bay Company out of its own funds. It thus appears that the amount of cash specially deposited and actually available to meet the outlay on the works, represents, with the India stock and the sums spent, about the full amount of the guaranteed loan.

This, I believe, exhibits in general terms, and as accurately as the means of reference at my command here permit me to give, the actual financial bearings of the case. Under ordinary circumstances I should hesitate to trouble his Lordship with any further observations than a reference to these specific facts; but as the mode in which the money was temporarily used has led to some discussion, I may perhaps be permitted to add one or two words.

The good faith and credit of Canada have never been questioned. She has met all her engagements with punctuality, and the only other amount guaranteed by England has been paid off long ago. Her revenues are ample for all her expenditure. The Imperial Government was satisfied of this fact, because before the guarantee was authorised an examination was made into her affairs, and the Treasury reported their entire satisfaction with them, and actually authorised the investment of the Sinking Fund, applicable for the redemption of the loan, in her own securities, devolving on Canada the undivided duty of constructing the work, and purposely declining all participation in the operations attending it.

The guarantee being given, it would seem to suffice, after this admitted ability to repay the loan, if the money raised was expended on the work as rapidly as its nature warranted; and that complaint would be premature until the work was delayed or left undone, or that there was clear evidence of permanent misapplication.

I am not aware that any of the States, whether European or American, who guarantee the bonds of railway corporations, and who devolve on these corporations the sole duty of performing the works—disclaiming all control or interference with them—inquire into the application of the amounts deposited during the construction of the works, provided these are prosecuted with diligence and good faith.

It is obviously for the interest of the surety that the debtor should so employ the money as to derive a benefit from it, rather than add to his liabilities by the amount of interest unnecessarily lost.

But, apart from the question of interest, it appears to be emphatically stated by Canada that she would not have accepted the guarantee, nor undertaken the work, if it had been accompanied with any such distrust as the controlling of the funds raised would necessarily have implied.

It is said, however, that the difficulty is a technical one, founded on the provision of the Imperial Act which directs an "appropriation" of the money. It is contended that this wording requires a *setting aside in specie of the identical money received*, and will not warrant any intermediate use of it whatever.

Whether such an interpretation of the law be critically accurate or not, I fail to discover in what way it would be practically possible to carry it out, except by a course of dealing exceptionally invented for this case, and utterly at variance with the system of monetary affairs throughout the commercial world.

This point is noticed at length in the Minute of the Treasury Board of Canada of the 11th August 1869, and need not be enlarged upon here.

The system of payment by cheques and through clearing houses, of depositing money with bankers, the use which it is notorious bankers invariably make of their deposits, must all be set aside if the critical interpretation contended for is to be given to this wording of the Act.