paying to these bond holders $35,000,000. As I understand the matter, we are not paying any money, but we are going to pay 4 per cent. I have the Bill before me, but have not had time to analyze it. As I understand from the presentation of the matter to this House by the honourable leader of the Government, the bondholders themselves are going to pay off the $35,000,000. With 2 per cent of the 4 they will establish a sinking fund which will pay off the $35,000,000 at the end of thirty and some odd years. So the liability that the country assumes and must pay is really 2 per cent on the $35,000,000. Now, as I have said, I am firmly of the opinion that the earnings of the Grand Trunk Railway, or the Canadian National Railway System, will be such that they would be compelled to pay, if not all, at least a great portion of that amount anyway. For these reasons we should hesitate about rejecting this Bill.

There is another point. While the Grand Trunk Railway Company obtained the charter and built the Grand Trunk Pacific Railway, yet every dollar that went into the building of that road, or practically all the money, was money that was paid or guaranteed by the Government of Canada, and it does strike me that if we should be obliged to foreclose in order to get a good title to the Grand Trunk Pacific, and also the Grand Trunk Railway, it is much better to make some arrangement with the bondholders. Knowing these facts, and believing this to be the situation, I would hesitate about rejecting the present arrangement.

Hon. Mr. BEAUBIEN: I would like to ask one question of the honourable gentleman who has just taken his seat. He says that the bondholders are going to pay the capital out of the 4 per cent they are to receive, and that Canada is not going to give anything at all. But where will they get the 4 per cent if not from Canada? Secondly, is Canada now bound to pay 4 per cent?

Hon. Mr. REID: The impression left on my mind was this: we should have to pay 4 per cent for about thirty years and then pay the $35,000,000. Now I say that 2 per cent goes to pay the $35,000,000. Furthermore, I have so much faith in the future of the Canadian National Railways and the Grand Trunk, that I cannot bring myself to believe that they are not going to earn enough to pay the interest. Remember, 4 per cent interest on $35,000,000 is about $1,400,000 per annum, and that interest is paid for thirty years. Does not the honourable member believe in the future of the railway system? Does he not think that the earnings will be such that the railways will be able to pay something on this account? They did pay something a few years ago. Times are better now. The revenues of the railways are increasing, and if they continue to increase we should have to pay anyway. And are you ready to have liquidation in order to get a good title to the Grand Trunk? That is the position.

Hon. Mr. BEAUBIEN: My honourable friend is much better informed than I am on the railway situation, and especially the earning power of the Grand Trunk—its ability to earn sufficient to meet the interest on the underlying securities, and then on this security which we are discussing. Looking forward ten, twenty, thirty, perhaps fifty years, is the honourable gentleman ready to say that in his opinion the Grand Trunk is able to make those payments? Of course, if we have a valuable property, which is capable of paying all the interest on all these securities and of giving us, besides, a handsome yearly income, we are right in doing what is proposed; but I do not understand that to be the case at all.

Hon. Mr. REID: I may answer the honourable gentleman in this way. I have sufficient confidence in the Grand Trunk Railway portion of the Canadian National Railway System to believe that that portion will earn a dividend and pay interest on all its liabilities, even on this stock. The honourable gentleman knows that the old Grand Trunk system paid a dividend on all its stocks—on all its perpetual debenture stock, and its first, second, third and fourth preference. It paid a dividend until the war came on. Prior to that time it never failed to pay a dividend. The railways are doing as well and better now, and, with the addition of these other parts of the system, which are bringing freight to the old Grand Trunk—that portion of the system which is liable for this interest—I have faith that it will pay dividends in the future as it has done in the past. If the whole Canadian National Railway system were responsible for this 4 per cent, the case might be different, but, remember, it is only the Grand Trunk from Chicago to Montreal and Portland that is responsible for this interest; and I believe the Grand Trunk would earn sufficient to be compelled to pay it. For these reasons I think we should pass the Bill.

Hon. F. L. BEIQUE: As I understand the question, it comes to this. The Government has taken over two systems of railway, the Grand Trunk Pacific and the Grand Trunk. Those two systems are bound to keep a special account of their earnings. If there is a surplus of earnings sufficient to justify the payment of the interest on this debenture stock