balance of that loan very little is now in the treasury of Canada. Can the minister now take $10,000,000 out of what he borrowed in February last? I doubt it. Probably at the expiration of this session he will have to put his hat on, pack his grip and start on the weary road to Europe in order to visit the various financial centres and once again make his plea for financial assistance. I think the minister might almost take a permanent office in Europe at the present moment because he will probably be called upon to spend as much time upon the other side of the water as upon this.

Now, take the second consideration. If you want to do a banking business you are expected to do it at a profit. Banking institutions, as a rule, do not borrow in order to lend at a lower rate of interest than that at which they have borrowed. We do not, in this particular case, even get as much for the money as it costs us to borrow it. I am reminded of the story of a certain postmaster who, upon the change of government in 1896, received a large official envelope from Ottawa in which was a notification that he had been reappointed to the position of postmaster at, let us say, Smith's Cross Roads. In the letter that was the statement that the salary would remain as before, and the postmaster wrote back to the department somewhat along these lines: 'For twenty years past I have received no remuneration for my services. It is very kind of you to say that the salary will remain as before, for I should hate to have to pay anything for the privilege.' That is about the position of the government in this banking case. In fact the government is going to make a loan to the Grand Trunk Pacific, and to pay for the privilege of making it. Suppose—which of course the Finance Minister will admit is an impossible assumption—he should have $10,000,000 left from the loan he made in February. What did he pay for the £6,000,000 he borrowed at that time? He paid 4⅛ per cent for the money, all charges included. If we were in a position to lend the Grand Trunk Pacific $10,000,000 from this amount, we would be paying $412,500 per annum, and receiving $400,000 per annum, an annual loss of $12,500, or during the ten years of $125,000. In other words we are to pay $12,500 per year for the privilege of being the banker for this company, and in the ten years—because the two loans are concurrent—that would amount to $125,000. We might be willing to lend our money to the Grand Trunk Pacific at what it costs us, but when it comes to paying for the privilege of being banker for that company, that is drawing it a little strong. The least the Finance Minister should have done was to have stipulated that the company, to whose help we are coming, should pay what that assistance costs us.

There is another consideration. The Finance Minister says that we buy their bonds. Of course we do. Now the buying of bonds is a perfectly legitimate banking transaction. Banks are accustomed to do it, but they are careful only to buy them at the market price. We, however, are buying them at par. We are paying $100 cash for a $100 bond.

Mr. FIELDING. I did not use the word 'buying,' it would not be correct.

Mr. AMES. I think it occurs in my hon. friend's remarks, or in Mr. Hay's letter

Mr. FIELDING. We do not buy. We take them as collateral.

Mr. AMES. Our collateral security is the mortgage on the Grand Trunk Pacific and the guarantee of the Grand Trunk Railway. The bonds are what we take.

Mr. FIELDING. We do not buy them.

Mr. AMES. It is on those bonds and similar bonds that this company raised its previous loans. Their mortgage bonds floated a short time ago to raise money for the rolling stock, were sold at 90; and deducting expenses, they netted 87½. This company then, in its preceding issue of debentures, found it necessary to incur a debt of $8 in return for $7 in cash, thus making their bonds carry, on the actual cash received, a rate of interest of over 4½ per cent. We therefore are to pay for their bonds $10 to $12.50 per hundred over their market value and are to receive one half per cent less than the market rate of interest. We are giving the company a better rate of interest by one-half per cent than they were compelled to pay in their previous transactions. Does that seem such a banking transaction as would commend itself to a competent and prudent financier?

Now, I come to the question of security. What security have we? We have the bonds of the Grand Trunk Pacific, which we are to receive at par. But what is there behind these bonds? There is, first of all, a mortgage on 'the undertaking, equipment and property tolls, rates and franchises of the company in respect of the said prairie section'; and then there is the 'guarantee as to the repayment of the principle and interest thereon by the Grand Trunk Railway. First, let us consider the value of the mortgage. In that connection the important point is how many prior liens there are, because our mortgage is subject to any prior lien. There are no less than three other lenders who rank before us on the self same property. Take the matter of prior mortgages, the resolution states that our claim will be 'subject to any prior liens on the property.' What are these prior liens? First comes our own claim of $13,000 per