

new stock of sixty millions, \$24,493,000; the Government 4 per cent. loan was \$7,380,000; and their credit enabled them to owe \$6,895,000, of which you can strike off \$1,000,000 as due on the contracted line, which would leave owing on other accounts than the contracted line \$5,900,000; so that their other resources had actually produced, up to the same date, the 31st December, applicable to other purposes than the contracted line, an aggregate of \$37,780,000. Now, the next question to which I address myself is what has become of this \$37,780,000; because I have shown you enough assets to accomplish all they were bound to under the contract, without having reference to that sum at all. They obtained it and the 20,000,000 acres of land besides. Well, what became of it? The explanations of that are not absolutely clear; but they are sufficiently clear for our purpose, dealing, as we are, with sums so enormous, that an inaccuracy of even half a million or so is of little consequence. I divide this \$37,780,000 into two grand heads; the first of these is outside expenditure in one way or another, and I will give you the items which I find in the company's various statements:

Main line and branches east of Callander.....	\$4,658,622
Algoma branch	2,269,798
Western branches	2,335,374
Steamers	697,369
Real estate at Montreal	408,207
South-Western Railway	1,595,280
St. Lawrence and Ottawa Railway	227,155
Atlantic and North-Western Railway	203,837
Manitoba and South-Western Railway	1,254,678
Ontario leased lines	1,465,450
Proportion of equipment for these Outside lines	1,890,000
Interest on financial matters, &c., &c., &c.	1,393,484
Total	\$18,195,264

The sum of \$1,389,184 is stated by Mr. Miall to be interest on financial matters and other charges, some of which I have very probably included in my estimate of interest already charged against the other receipts, and therefore should not now be included; but still I include it all, for I have not the details, though the Government have them; and all these sums give me the aggregate of \$18,195,264 spent by the company on outside matters out of the \$37,780,000. Well, that leaves the larger half to be yet accounted for. I have found for you where \$18,200,000 have gone; I have to find for you where \$19,600,000 have gone. And that comes under the second grand head of the two grand heads of expenditure by this company of its resources—dividends, dividends, dividends. The statement of Mr. Stephen on the subject of dividends is not, according to my judgment, absolutely accurate, but I will use it, in the first instance, so as to state the amount from his own lips. He states that there were paid by funds provided by the company, partly paid by the company itself and partly by the Government, out of the funds provided by the company, \$5,378,000 in dividends up to the 31st December last; and that the sum remaining in the hands of the Government for future dividends was, on the 31st December last, \$14,283,000, making an aggregate for dividends of \$19,666,288. My task was to account for \$19,600,000. I have got you the \$19,600,000, and I think I have practically squared the account. I think I have practically shown you where this \$38,800,000 has gone—that the smaller half of it has gone in outside enterprises and that the larger half of it has gone in dividends, past, present and to come. This shows where the money has gone and to what the trouble is due. There were extravagant expenditures, according to my belief; my belief is that this road cost more than it need have cost. There was haste and waste. There is proof in Mr. Schreiber's statement and Mr. Van Horne's also, to which I referred yesterday, of the necessary cost involved in the speed; there was inordinate expense on outside objects, on the Laurentian Railway line, on the South-Eastern line, the St. Lawrence

and Ottawa Company, the North American Contracting Company, the North-West Lands Company, the leased lines and other objects. There were on those various heads, grounds for saying that more money had been expended than ought wisely to have been expended. With reference to the whole of this outside expenditure questions arise, various questions, differing questions, questions which may make some of the expenditure prudent, and some of it very rash—but granting all, wiping out all the extravagance and assuming there was no extravagance; wiping out all the imprudence and assuming that there was no imprudence; saying that it was right and wise for the company, assisted and egged on by the Government, to spend the sum of over \$18,000,000 on outside enterprises, while they were, or ought to have been, straining every nerve to build the contracted line—admitting all that, for the moment, yet with the resources they had and have in hand there was a margin up to the 31st December last of \$20,000,000 to keep them out of embarrassment: \$20,000,000 is absorbed in repayments to subscribers. Now, let us examine this question of repayment to subscribers, this question of dividends. The law allows a railway company during construction to pay not exceeding 6 per cent., if they please, on the amount actually paid up in cash, in hard cash, on the stock that has been subscribed for construction. That is all which the wisdom of Parliament has provided that railway companies should be allowed to pay. No watered stock payments, no payments on anything that was not solid cash, but you might, if you pleased, having got in hard cash, which had gone into the works, say \$1,000,000, pay the subscribers of that amount 6 per cent. a year on that or \$60,000. That, in the wisdom of Parliament, was the sound rule established. Let us consider this company. Did it occupy an exceptional position? It did. What was the exceptional character and position of this company? It was this, that it was subsidised by the Government on the understanding that it was not going to make an early dividend, but that it was to be recouped out of the sale of the lands for its actual losses in the early working of the road. The proposal was, not that we should furnish money to the company to give subscribers who had stock 6, 10, 12 or 20 per cent. on their money, but that we were to give the company, in addition to cash, land, the ultimate result of which would repay them for the loss of interest or dividends in the early working of the road. That was the position of the company, a position against the paying of dividends out of capital instead of in favor of it; a position in which the impropriety of paying dividends out of capital was recognised, and in which the source of recoupment for losses was to be the great resources the Government were giving the company. Now, the stock was fixed at \$5,000,000, to be all paid up, in actual cash, within a short delay, with the power of increasing it to \$25,000,000; but I need not say that when the \$5,000,000 was paid up in full in cash it would be impossible to put out the other \$20,000,000 at a discount, or on any other basis than par, without creating an entire revolution in the scheme of finances of the company. The principle recognised by Parliament was that every dollar of the stock first subscribed should be paid up in cash; \$5,000,000 was paid up in cash, and if the company were to issue the rest at 50, the subscribers at 50 would get the stock at half the price of those who had subscribed the first \$5,000,000. No one thought of more capital being issued, at any rate, beyond the \$20,000,000 additional; \$25,000,000 was the extreme capital talked of. We were anxious the capital should be kept down, because the great object was that there should be a small dividend to be paid, since the burden on the commerce of the country was to be measured, first of all, by the cost of carriage, and secondly by the dividend; and it was vital to