

Sir JOHN THOMPSON. The Government are in no way responsible for this Bill. It stands before the House like any other Private Bill. The hon. gentleman must have misunderstood the argument of the hon. member for Ontario, or he would not have called upon me for information as to the mode in which this Bill affects the security of the Government, because I presume it is in relation to that subject he desires me to speak. The hon. gentleman will remember that the guarantee last Session was based upon the security of the land grant to the company, and the mortgage to secure the payment of the interest was taken upon that land grant. This Bill, although it increases the fixed charges on the railway, has no relation to the land grant of the company and does not propose any charges which will affect that grant.

Mr. EDGAR. The hon. the Minister of Justice knows well that there is no security given to the Government—that the only security which the Government have is of this nature: When the lands—

Mr. KIRKPATRICK. A clause to that effect is in the Bill. It does not affect the lands.

Mr. EDGAR. The lands are mortgaged, and it could not affect them. All the lands that the company had unsold were mortgaged to secure the principal of the \$15,000,000 bonds, and when those lands were sold, and realised upon, after paying the cost of doing so, and after paying some \$3,500,000 of outstanding land grant bonds, the net surplus was to be paid in to the Government, who were to hold it as trustees for the holders of the bonds, to secure the principal, and the principal alone. If it should happen, and when it should happen, that there would be a net balance in the hands of the Government of that money, the Government was to pay  $3\frac{1}{2}$  per cent. interest upon it, and as that interest accrued, from the Government to the company, the company could deduct from it whatever money they had to pay on their guarantee; and that is, in so far as the land is concerned, I think, the hon. the Minister of Justice will bear me out in saying, all the security the Government took for the loan. But it will be recollected that the Finance Minister said that was a matter of small import, because the Canadian Pacific Railway were going to earn so much every year that they would be able to pay this out of their net profit, and that there was only \$35,000,000 of mortgage, at any rate, ahead of them on this great undertaking. That is so, but it is not going to be so any longer. Perhaps the Government can tell us how much they owe the Canadian Pacific Railway in respect of interest on those sales? The Government will, perhaps, tell us if anything like enough has been realised to pay the land grant bonds outstanding, or how long it will be before sufficient will be realised? I do not say there is no security in that respect, but it is somewhat remote, and the Government should take care to guard generally against any impairing of the general security of the company.

Mr. MITCHELL. The matter resolves itself into a very small compass. The only claim the Government have against the company at all is for the \$15,000,000 for which they have the security of the lands, and Parliament agreed to confirm the arrangement which the Government made last year in relation to those lands, and I believe the Government got ample security in those lands for the repayment of that money. The Bill under consideration is intended to enable the company to amalgamate and consolidate their security, and get money at a cheaper rate, and thus lower the fixed charges upon that property. It will also enable them, and that is the only salient feature of the Bill, to issue, to the extent of £500 sterling a mile, bonds for the purpose of putting on additional rolling stock, elevators, and keeping the line in a complete and efficient state. I do not think there is anything to fear

from the passage of this Bill. It is purely a private and domestic matter, and at this late stage of the Session we ought to pass it without further delay.

Mr. MULOCK. I will just endorse what has fallen from the hon. member for Northumberland. I understand the only possible contention can be that, to the extent of these \$500, the security of the Government, as endorsers of the £15,000,000 loan might be postponed. If the 13,000,000 acres of land which are mortgaged to give that endorsement are not worth the amount of our liability, then our whole venture in the North-West has turned out a failure. I am willing to take the chances of the security being adequate; but even if it were not, the £500 per mile will enhance the value of the property, increase its earning power, and improve rather than diminish our security. From a business stand point and as a business risk, I see no danger whatever. I do not think it will be in the slightest degree impaired, provided the £500 sterling is invested as required by the Act, and we have a right to assume that the company will see that there is no misapplication of that fund, and for that reason I am willing to take my share of the responsibility in supporting this legislation.

Sir JOHN THOMPSON. The security mentioned by the hon. member for Ontario (Mr. Edgar) is correct except in one particular and that is that the lands are pledged for the payment of the interest as well as the principal, the principal first and after that the interest.

On section 8 (new),

Mr. EDGAR. With reference to the suggestion of the Minister of Justice, that I was mistaken in saying that the lands were not to pay interest, I can show that I was not mistaken; for section 4 says:

"It shall be a condition of the mortgage that the net proceeds of the sale shall from time to time be paid over to the Government, the company at its option may pay over other moneys to the Government, the whole to constitute a fund to be set apart and held by the Government exclusively, for the purpose of settling the principal of the said bonds."

Sir JOHN THOMPSON. And after the payment of the principal it secures the interest.

Mr. EDGAR. It does not say so.

Mr. KIRKPATRICK. I would ask that in section 8, the words "this Act of incorporation or otherwise" be struck out, and the following inserted, "the Act which authorised its incorporation." This is the clause which was drafted by the Minister of Justice in order to show that it does not affect the lands which were granted by way of subsidy to the company.

Mr. DAVIES (P.E.I.) Before the Committee rises, I would like to understand who is correct with reference to the security we hold on the lands for the payment of these bonds. I understand the agreement to be last year, that 15,000,000 acres of land were given exclusively for the payment of these bonds. As that land is sold, the money arising from the sale is paid into the Government and held as a trust fund exclusively for that purpose. Supposing that the contingency arises that the interest of the bonds we have guaranteed is not paid, and we have to pay it: The Minister of Justice will not contend that he can abstract from that principal trust fund, that he can take anything of it to pay the interest. He cannot do it. That fund must remain until the whole amount of the principal of the bonds is paid off; and if we paid out the interest on the guarantee in the meantime we could not touch that money to recoup ourselves. So that practically we have the security placed in our hands for the payment of the principal of the bonds, which bonds are not held by us, but held by third parties, and we are trustees to receive the proceeds of the land and hold them as security for payment of the principal money. If in the meantime we are called upon to implement our guarantee to pay the interest on these bonds, we have no security for repayment.