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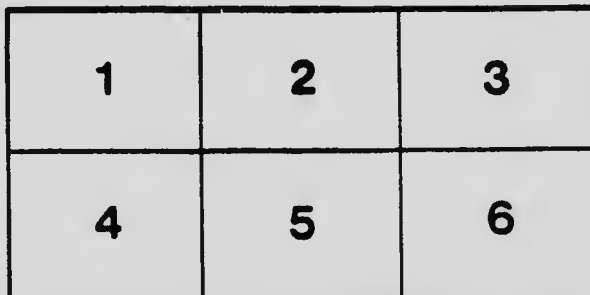
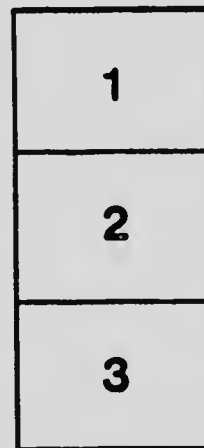
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## CANADA

# The Debates of the Senate

OFFICIAL REPORT.

SPEECH

The HON. J. P. B. CASGRAIN.  
SENATOR

ON

## THE CANADIAN NORTHERN RAILWAY ACQUISITION BILL

In the Senate of Canada, Ottawa, on September 5 and 6, 1917.

Wednesday, September 5, 1917.

Hon. J. P. B. CASGRAIN: Honourable gentlemen, this is certainly the most important matter that has come before this House. The members of the Senate are about to assume a responsibility greater than any that has ever been assumed by them during the existence of this honourable House. I must at the outset express my surprise at the levity with which the honourable leader of the Government (Hon. Sir James Lougheed) has approached the subject this afternoon. He is generally very much in earnest about all Government measures which he presents to this House, but this afternoon he seemed as if his heart were not in this transaction, and, knowing him as I have had the advantage of knowing him for more than seventeen years, as a good business man, I knew very well that it was hard for him to keep a straight face when telling us that we were doing good business in taking over the Canadian Northern.

The honourable leader of the House has given us very little information, notwithstanding the great desire of my leader (Hon. Mr. Bostock) to obtain information. The honourable leader of the

House read—and, I must say, not in his usual style, but in a very indifferent way, for evidently he had not opened the book before—some statements that are contained in this blue-book. Honourable gentlemen will remember that when we were called upon to vote the guarantee of \$45,000,000 we had a much bigger book than this, and it contained not only the statement made by the company, but also a statement by the Government, so that we might compare both statements. This book evidently—and I am glad the honourable leader of the Government has admitted it—has been prepared simply by the company, and, as I understand, the Government takes no responsibility whatever for the document. Later on, in dealing with this document, I will show that we cannot be expected to have very much confidence in it.

With regard to the honourable gentleman from Sydney (Hon. Mr. McLennan), I was at first uncertain as to how he felt. He said this Bill was distasteful to him, and I was almost in hopes that he would disapprove of it; but he had gone to the other Chamber, he said, and heard some one speaking in favour of this measure. It was none other than the Prime Minister of this country.

After listening to that speech, the honourable gentleman, like St. Paul on the way to Damascus, saw the light, and to-day the honourable gentleman is in favour of the measure, although it might be supposed that a prudent man like himself would in a matter of this kind like to know what the country is going to buy—what it is paying for, and whether it would be to the advantage of the country to put through this transaction. In the province of Quebec we have a saying with reference to an estate: "Accepter la succession sous bénéfice d'inventaire." That is, we accept an estate on the understanding that we shall have the advantage of making an inventory to see what is in it. In this case there is no inventory made and we have not the faintest idea of what the responsibilities and liabilities will be. The Canadian Northern railway is a tremendous undertaking, I do not deny it. It has 9,513 miles of railway. I may bring home to honourable gentlemen the magnitude of that railway when I say that it would have been necessary to build one mile of railway every day of the year, winter and summer, for the last twenty-five years in order to have over 9,000 miles—not quite as much as the mileage of the Canadian Northern.

Let me say to this honourable House, in the first place, that the people of Canada have their eyes riveted upon this Senate to-day. Here in Parliament, in the circle in which we move, it may perhaps be supposed that the public is indifferent in this transaction.

Those who busy themselves with finance in this country hope that the Senate will find some means of improving this scheme and protecting the interests of the public. If the Senate can do this and protect the people from what appears to be the greatest raid upon the treasury that has ever been—not perpetrated, but thought of, this body would rise in the public opinion of the country, and no one in our lifetime would ever talk about the uselessness of this Chamber. There are business men in this House who handle large enterprises, and if they put their heads together, I believe they might find some way of overcoming the difficulty. The Government is face to face with a difficult problem, but I believe it can be overcome. The honourable gentleman from Cape Breton (Hon. Mr. McLennan) said that he started out enthusiastically to read the report of the debate that had taken place in the other House on this question, but that he had not remained sufficiently enthusiastic to read it all. I may say that I have read the whole of the debate, and

the more I read the more I was convinced that no one on either side of the House could say to what expenditure the country was going to be committed. Was it to be \$400,000,000? Was it to be \$500,000,000? Was it to be \$800,000,000? Neither member of Parliament nor minister of the Crown has fixed a price for this undertaking. There should be some way of fixing a limit. Every one knows that only plungers will go into a matter of this kind without fixing a limit. At first the people of the country were bewildered; they were gasping before plunging into the unknown; they could not realize that this matter was being seriously thought of. They thought it impossible that the Government should take any action without first having the fullest information. The Minister of Finance has displayed a great deal of ability and talent; he seems to be well informed with regard to the ramifications of this matter; but he never fixed a price, never said what we were to pay for this railway.

One man cannot expect to know all about the 9,513 miles of this railway; he can only speak of things which come under his own eye, things which he sees every day. I pass the sites of the terminals of the Mount Royal Tunnel and Terminal company on Dorchester street every day, and see an immense excavation there. This enterprise does not belong to the Canadian Northern railway. As I understand the transaction, the Terminal company issued bonds, which were guaranteed, not by the Canadian Northern Quebec railway, not by the Canadian Northern Ontario railway, not by six or seven of these companies, but by the Canadian Northern Railway company alone. Some arrangement had to be made by which the interest on these bonds would be met. A lease was made to the Canadian Northern railway, and the money to be paid under that lease was sufficient to pay the estimated interest—mark the words, the estimated interest—on the Mount Royal Tunnel and Terminal railway. The rental payable under this lease is sufficient to meet the interest on the bonds; but the cost will exceed the estimate by millions of dollars, and who is going to pay the interest—the excess cost? The Canadian Northern railway will pay only to the extent of their lease; but what will the Government do?

The figures which I am about to quote were asked for by members in another place, and, after considerable delay, they were given to them. The estimated cost of the tunnel itself is \$4,631,427. The expenditure

on that work to April 30, 1917, was \$4,566,072.72. I should like to say en passant that that is an outrageous price for a tunnel of that length; but even at that it will be noted that if it were built at the estimated cost it would only require \$65,248 to complete the work. The estimated cost of the terminals is \$723,616, and the expenditure to April 30 amounts to \$282,242, leaving a balance of \$441,373. The Montreal station has not been built yet. It is going to be cheap, because we are supposed to build it. The estimated cost of the station is \$110,823. That is the cheapest station in Montreal. The Windsor station is within 200 yards of this proposed station, and what did it cost? How many millions of dollars? This Parliament is told that this station is going to cost only \$110,000, and it is said that \$95,823 has been spent on it to date, and that \$14,999.62 will finish that station. The figures are very precise, \$15,000 might have been allowed for the completion of this work. I ask any honourable gentleman who lives in Montreal if he has seen this station. The Canadian Northern Railway Company is very particular as to the amount which the country will have to expend to complete that work. The next item is the electrification of the tunnel, \$425,127. The expenditure to the 30th of April is \$372,236.02, and the cost to complete it is \$32,890.98. Then we come to the branch railway from the West Portal to the junction with the Canadian Northern railway. The estimated cost of this work is \$182,458, and \$119,329.14 has been spent on it to date, leaving a balance of \$63,138.86 to carry it to completion. I pass by this locality very often, and there is a filling to be made there that will take the whole of that amount. The estimated cost of engineering contingencies is \$585,177. Up to date \$543,370.46 has been paid out, leaving a balance of \$41,806 to be spent. The estimate for real estate is \$2,155,593, and to date \$2,110,593.99, has been expended leaving an amount of \$44,999. I know for a fact that all the lands bought by the Canadian Northern railway have not been paid for in full.

Hon. Sir JAMES LOUGHEED: We are not taking those over.

Hon. Mr. CASGRAIN: They are supposed to be Canadian Northern yards.

Hon. Sir JAMES LOUGHEED: Not the town site behind the mountain.

Hon. Mr. CASGRAIN: I am not speaking of Model . . . The Canadian North-

ern bought about 5,000 acres of land back of the mountain. The honourable gentleman from Montarville (Hon. Mr. Beaubien) knows that they bought that land, and I dare say that he knows, as I do, that the only money that passed between the agents and the sellers was about enough to pay the commission to the agents and a very small payment on account, and when the other payments became due representatives of the railway company went to the various landowners and told them that they had not the necessary money and could not pay, and asked them what they were going to do about it. They said: "You may sue us, but you will get nothing for two or three years. If you will defer these payments we will make a proposition to you." I do not know whether they knew that some kind Providence or some kind Government would assume their liabilities; but they said: "If you will defer these payments we will agree to pay you the interest; if you do not want to take that you will get nothing at all." The people had to consent to defer the payments and in some cases they got their first payment and interest. This land was supposed to be for yards for the Canadian Northern railway.

Hon. Mr. BELCOURT: What is the cost of the land?

Hon. Mr. CASGRAIN: 5,000 acres of land selling all the way from \$1,000 to \$2,000 per acre. The honourable gentleman can work that out himself.

Hon. Mr. BOYER: One of the interested parties told me no later than last week that they had sold \$3,000,000 worth of land, but that they had to take back \$2,500,000; so where does the benefit come in?

Hon. Mr. CASGRAIN: Now we come down to property damages. The property damages were estimated at \$175,000, a low figure, and are not paid for yet. The company claim that they have paid on that account \$122,220.87, leaving a balance of \$52,779.13 to settle all the remaining damages. Honourable gentlemen know, and every one in Montreal knows that McGill University has a claim for \$500,000. We know also what took place when the railway went under the property of Hon. H. B. Rainville at the corner of Sherbrooke street. Mr. Rainville is a wealthy lawyer, and he was not frightened. The railway went under part of his property, and he took out an injunction and they decided that they had better settle. A friend of Sir Donald Mann

went to him and said: "Look here, Sir Donald, this man Rainville is a bad actor; you will have to settle or he will take you to the Privy Council and tie up everything." Mr. Rainville had a lot which was 50 feet by 150 feet, and the railway bought it and paid \$165,000 for it. I happen to know of this, because I was Mr. Rainville's arbitrator. The matter was settled out of court. Mr. Rainville got \$100,000 in cash, and took a mortgage of \$65,000 on the property. That is only one property, and yet in the statement furnished to Parliament it is claimed that they are going to settle the land damages with \$52,799.13. Then, there is interest during construction, \$1,432,129.59. The expenditure up to date is \$1,420,827, leaving simply the interest due, \$11,300 in round numbers, making the estimated cost of the tunnel and the terminal say \$10,401,361, and the expenditures to April 30, 1917, was \$9,632,718, leaving \$768,643, to complete the work.

The tunnel and terminal companies sold bonds and collected the money in order to finish this work. Where has that money gone? I appeal seriously to the members of the Senate, will the balance of that money be handed back to the Government in order to finish this work? There has been expended for right of way from the terminal to the harbour \$1,316,806, but there are deferred payments amounting to \$174,000 on property acquired for extension of present terminals. That only shows that this Parliament is receiving information which is absolutely wrong on the face of it, and there is not a man in Montreal who would pretend that the figures given here, and given in all seriousness in another place by the Minister of Finance, would be sufficient to finish the work. They say they are going to finish it for \$578,643; but I have had statements from reliable engineers and architects that five times that amount would hardly finish that work. They propose to get money by selling crushed stone taken from the tunnel, and they want this country to go peddling that stone around for sale. They estimate that for macadam that crushed stone would be worth \$512,254, and they say they have received already \$322,254, and they expect to get \$190,000 for the balance.

In British Columbia the Canadian Northern Pacific railway flooded a great deal of land with their irrigation scheme, and now there have been many claims made on account of that flooding. I am told that Mackenzie and Mann have been able to

stand off those claims; but will the Government have the strength of character to say to the people: "We will not allow you anything?" There has also been trouble from one of the tunnels of the Canadian Northern Pacific sliding into the Fraser river and blocking it so that the salmon could not ascend the river, and the fishing interests will now make claims. Of course, those people could enter claims against Mackenzie and Mann or the Canadian Northern Railway company; but they had a beautiful system that any one who wanted to sue them could never strike the right company that did the thing complained of. If they sued the Canadian Northern it was the Canadian Northern Quebec or some other company they should have sued, hence they were non-suited; but now these people will come against the Government, which cannot divide itself, and the people in the salmon industry whose business was injured will have to be looked after by this Government. I think this is a very bad time for the Government to go borrowing money. I move the adjournment of the debate.

The debate was adjourned.

Thursday, September 6, 1917.

Hon. J. B. P. CASGRAIN: When I stopped speaking yesterday evening we were emerging from Mount Royal tunnel. I am sure that as this subject involves a matter of only \$600,000,000, it will not create very much excitement in this House, and that the discussion will be conducted in a most peaceful manner. In speaking of the \$52,000 that was supposed to be sufficient to pay for damages to property, I should have added that there is an agreement between the Canadian Northern Railway company and the Mount Royal Tunnel and Terminal company and the proprietors of the land by which no damages are to be settled until one year has elapsed after the work is completed; so it is evident that the account is more than uncertain; and as I came forward with only one large account which they have to settle, it stands to reason that there will be many millions of dollars required to settle all the others.

I regret that I must take issue with the honourable leader of the Government when he said yesterday afternoon that the amounts guaranteed by the Federal Government were all second mortgages, and that the provinces ranked before the Federal Government in their guarantees. I under-



stand that the Federal Government in some cases, at any rate in one case that I am sure of, ranked before anybody else. I think the honourable gentleman said that the Federal Government always came after the provincial governments in ranking on the guarantees.

Hon. Sir JAMES LOUGHEED: Yes.

Hon. Mr. CASGRAIN: I have been careful not to antagonize our friends on the other side of this House in my remarks, because, in view of the uncertainty of the amount of the liabilities on account of the meagre information given us, some of our friends on the other side might be in favour of the motion of the leader of the Opposition to obtain more information. Therefore I wanted to forget for the moment that there are Conservatives and Liberals, or that there had been one Administration before the present one; but in the very preface of his remarks the honourable leader of the Government said that if we were put in this situation it was due to the Administration of Sir Wilfrid Laurier. We are quite willing to take out part of the blame. Since we have to discuss this matter, I shall go a little further, so as to put only that part of the blame that belongs to Sir Wilfrid Laurier and the Liberal party on their shoulders, and at the same time put on the shoulders of the present Administration that part of the blame which belongs to them. They cannot deny that they are blameable for the greater part. They cannot go back on their own child. We were guilty, if there is any guilt in it, of guaranteeing \$35,000 a mile for a distance of 1,050 miles, from Port Arthur to Montreal, making roughly a little over \$35,000,000. When the agreement to give that guarantee was made I was one of the parties who was strongly in favour of it, and I thought at that time that we were making a good bargain; and, if this House will bear with me, I think I can prove that the then promoters of the enterprise, Messrs. Mackenzie and Mann, said that, instead of asking for the ordinary subsidy of \$6,400 a mile for a road costing \$35,000 a mile for a distance of 1,050 miles, they preferred a guarantee. That is to say, if the railroad cost above \$15,000 a mile, half of the \$6,400 would be applicable to the second subsidy. For every additional dollar that was spent above that, if the double subsidy was earned, the road had to cost more than \$15,000 a mile by at least \$6,400. There is no question that the road between Port Arthur and Montreal

would cost more than the amount necessary to ensure the double subsidy. The leader of the House told us yesterday that it cost \$52,000 a mile, therefore they were entitled, under the law, to the \$6,400. A subsidy of \$6,400 a mile for a railroad 1,050 miles in length makes very nearly \$7,000,000. The applicants for this subsidy said: "Do not give us the ordinary subsidy; we prefer taking a guarantee; you will keep the \$7,000,000 in the public treasury, but you will give us a guarantee of \$35,000,000." Up to that time the Canadian Northern had always honoured their obligations, had always paid their coupons, and apparently there was no risk whatever in giving them this guarantee. The road was to cost a great deal more than the amount required, and we were getting a first mortgage on that road from Port Arthur to Hawkesbury. I have the very words here:

It was a first mortgage on every mile of that road, barring the small piece near Hawkesbury of 50 or 60 miles on which bonds had already been issued, and on which the Government had to be satisfied with a second mortgage.

The road cost \$52,000 a mile; therefore they had to get \$17,000 more on every mile. The Government was perfectly well guaranteed; and to-day, if the Government wanted to exercise their legal power and bring that part of the road to sale, they would find more than one railway in this country that would be glad to take it and recoup the money to the Government for the \$35,000,000 guarantee given to that road. Why the Government does not do that I do not know. There is to my mind no excuse for sacrificing that.

Hon. Sir JAMES LOUGHEED: Is my honourable friend at liberty to say what company would take over that road from Port Arthur to Montreal?

Hon. Mr. CASGRAIN: I am not at liberty to say, but I know it.

Hon. Sir JAMES LOUGHEED: Perhaps the honourable gentleman would inform the Government of the fact, so that these parties could take advantage of the offer.

Hon. Mr. CASGRAIN: Supposing this guarantee had been given by trustees or some big financial institution, what would happen if they let this first mortgage go by default? Would they not be recreant to their trust? Not only would they be recreant to their trust, but there would be only one place for them, if they did it with criminal intent—it would be jail or the penitentiary.



Of course, I am not saying that those who are doing it should go there; but it is in the face of these facts that a group of business men, the very biggest business men in Montreal, signed a letter which appeared in the Montreal Gazette. That paper is, in my mind, the best Conservative paper that we have in our province, or perhaps in the country. It is a reliable paper. There is one honourable gentleman who has just recently been admitted to this House who would be glad to hear what I have to say about it. I do not believe that paper would have published this letter and the editorial which accompanied it if they had not been sincere. It is true that they have been silent since.

Then, take the Toronto Globe, which passed as the Bible with the good Presbyterians in Ontario for many years. You do not see any flamboyant titles about this deal in it. Why does not the Globe come out? However, here are the names of the gentlemen who signed this protest. First is F. W. Molson, a director of Molsons Bank, a director of the City and District Savings Bank, and a very prominent man in Montreal. The next is Huntley R. Drummond, a director of the Bank of Montreal, president of the Canada Sugar Company, and a son of the late Sir George A. Drummond, many years one of the strongest Conservatives in this House. When there are Conservative gatherings in Montreal he is always the first to be there; nevertheless he saw fit to send this protest to the Government. These big business men do not put their names on paper before the public unless they think there is a big emergency. The next name is Zeph. Hébert, President of the Board of Trade of the city of Montreal, president of Hébert & Company, one of the largest wholesale houses in this country, which has a turnover in excess of \$3,000,000 a year. Next is Mr. A. J. Brown, K. C., director of the Royal Bank and of many large commercial enterprises; a man who is supposed to be a great commercial lawyer and the confidential adviser of some of our biggest men in Montreal. I have known men of very great importance who have said that unless A. J. Brown put his initials to a document, it would not do. The next is H. A. Ekers, who was mayor of Montreal by acclamation, a very powerful man in Montreal, twice Conservative candidate in that city, and even at the risk of displeasing his party—and I am sure he would not like to do that under the present circumstance—he put his name to this letter. Next is Mr. Charles Chaput, president of Charles Chaput & Co. Then there is Mr. Charles Meredith, pres-

ident of Meredith & Co., the leading bond house in Montreal. To show you the importance of this company, I may say that its vice-president is Sir Charles B. Gordon, vice-president of the Bank of Montreal, who was singled out for honours by His Majesty for services rendered during this war. The next is C. S. Campbell, K.C., the great commercial lawyer, a son of Sir Alexander Campbell, who at one time was leader of the Government in this House, and Minister of Justice under Sir John Macdonald. Then there is W. R. Miller, who was last year president of the Board of Trade of Montreal, and president of the Edwardsburg Starch Company. Then there is George Caverhill, a director of the Montreal Light, Heat and Power Company, president of Caverhill, Learmont and Company, the largest and oldest hardware company in the district. The next name is that of William McMaster, who is a very important man, a director of the Bank of Montreal and president of the Canada Explosives Company, a man who is doing business with this Government and with the Munitions Board; still he did not hesitate to tell the Government what he thought. The next name is H. W. Blackwell, vice-president of the Merchants Bank and vice-president of the Steel Foundries.

Hon. Sir JAMES LOUGHEED: Are there any ordinary every-day citizens on the list?

Hon. Mr. CASGRAIN: No, I think they avoided getting any but the most prominent names. Next is Andrew J. Dawes, a director of the Merchants Bank and president of the National Breweries.

Hon. Mr. McMEANS: Are there any prominent men outside of Montreal?

Hon. Mr. CASGRAIN: There is my honourable friend from Winnipeg (Hon. Mr. McMeans). The next name on the list is Robert Hampson, president of Hampson & Sons, F. Howard Wilson, director of the Merchants Bank and the Montreal Tramways, James Morgan, president of Henry Morgan & Company, a company which occupies a position in Montreal somewhat similar to that occupied by Eatons in Toronto. George E. Drummond, a director of the Molsons Bank. I have named the activities of these gentlemen from memory. They are all good Conservatives, with the exception perhaps of one. I venture to say that not more than one of these men, if he voted, voted for Sir Wilfrid Laurier at the last election.

Hon. Mr. POPE: They know better than that.

Hon. Mr. CASGRAIN: I may say that it was intentional that the banks should be represented. In the list of names which I have mentioned, there are two directors of the Molsons Bank, one of the Royal Bank, two of the Bank of Montreal, and two of the Merchants Bank. I am sure that lots of other names could have been put to this letter; but the fact that there are only a few and these the leading men of Montreal and friends of the present Administration, makes it all the stronger. Now, I will read the letter. It says:

The Government Bill to authorize the purchase by it of the capital stock of the Canadian Northern railway is half-way through the House of Commons and will shortly be in the Senate. If it becomes law, it will impose on Canada at a time when the country is under an unprecedented strain, a burden of unknown magnitude, one certainly greater than any ever before imposed upon this country, with the exception of the war debt.

The purchase of a defined piece of railway property is one thing. The buying of stock in a company with ascertained assets and unknown liabilities is another. Once the Government becomes the principal owner of the common stock, it must provide out of loans or taxes for all the debts of the railway due or to become due and for all future losses in operating. The estimates of expenditure still necessary to be made run into enormous figures.

No one knows what the real extent of its obligations are. The railway has bonds outstanding and debts unpaid; so have its subsidiaries. There are guarantees given by it to other companies, unpaid balances on contracts and upon accounts, but to what extent is unknown.

What its assets are is equally unknown. It operates and is interested in railway companies, land companies, telegraph companies, tunnel companies, lumber companies and hotel companies.

Will the Government shut up these hotels, or will they be temperance hotels?

Hon. Sir MACKENZIE BOWELL: They will be temperance hotels.

Hon. Mr. CASGRAIN: It would be nice, I think, to stay at a Government hotel. It would be the first time that we could say we had been at the public trough.

But no one knows how far it owns them, what their assets or liabilities are, nor to what extent the railway company is responsible for their liabilities.

No other railway company or any other group of business men would consider such an acquisition except after elaborate examination and reports from accountants and appraisers on the assets and liabilities, and then only subject to a solvent guarantee that all supposed assets would be delivered and that no undisclosed debts or obligations would appear.

In the United States the usual course has been to place the roads in the hands of a receiver.

To find out the things, where such examinations and guarantee cannot be had, the usual course in the United States has been to place the road in the hands of a receiver, whose staff can ascertain them and place before those interested an accurate and clear statement. Systems quite as large, notably the Union Pacific, the Atchison, Topeka and Santa Fe and the Rock Island, have in the United States been through this process and have emerged from it with capital written down to correspond to the actual values in a solvent condition and able to perform their duties as public servants.

The only examination so far had into the affairs of the Canadian Northern has resulted in the opinion of two of three railway experts that the stock proposed to be purchased was worth nothing. That means that whatever its nominal value may be, the unsecured debts are more than enough to prevent its being sold to any reasonably prudent purchaser. In view of the fact that no money was paid to the company for the stock and that the company has never been able to earn anything upon it, there was and is no reason to expect any other result from examination.

No agreement or obligation to purchase is produced. In fact, nothing has transpired except verbally and then between members of the Government not named and persons whose names are not disclosed. In fact what is to be paid, who is to get paid for it, what the cost and the attendant obligations are, no one knows. The smallest transaction in common life could not be concluded in such a way, and any attempt to do it by trustees responsible to a court would unquestionably be a breach of trust, and this is the largest and most onerous undertaking ever contemplated by any Canadian Government, and the most risky. It is safe to say that no road capitalized above its earning power can ever be a useful public servant, nor can any road bought by a Government for more than its worth ever be anything but a continuous drain on the taxpayer.

The Canadian Northern railway was built as a private speculation. Its bonds were sold to financiers at a discount. No money was received into its treasury for its stock. Nothing has been made public which would justify the taxing of other citizens of this country for the purpose of giving fictitious value to these bonds and stocks. The interest and other charges on Canada due to the war increase every day and even now are so great that it is difficult to say from what source they can be paid without an economic strait never hitherto undergone and a cutting down of expenses not yet even begun.

The credit of the country abroad is less than it has ever been. The last loan of \$100,000,000 at 5 per cent for two years netted only \$96,111,111. In other words, the country is borrowing money at a charge of more than 5 per cent per annum.

I will explain that in a minute:

Its future credit may depend entirely on the belief of foreign bankers that good money will not be sent after bad, and that speculative enterprises will be allowed to find the financial level called for by their intrinsic merits.

The undersigned, all of whom as investors, have a stake in the prosperity of this country desire to call the attention of their fellow-countrymen to the grave risk they all are run-

ning of having their own earnings diverted for the purpose of securing profits to bondholders and stockholders of a concern, the equity in whose enterprise has been declared by the only people at all in a position to form an opinion to be of no value. It is also urged that the strongest possible protests be made before it is too late to all senators and members of Parliament.

The names follow; they are the names which I gave beforehand.

I said that I would explain this 8 per cent. The last loan, as we all know, was made in New York, and the amount was \$100,000,000. The Minister of Finance declared that he received from it \$96,250,000. J. P. Morgan & Co. say, and they print, that all the Minister of Finance for Canada got was \$96,111,111. There is a difference—and out of this \$96,111,111 the Minister of Finance had to pay a commission of three-quarters of a million; so that the Canadian Treasury got only \$94,360,000. But, let us take the Finance Minister's own figures, \$94,500,000, as correct, although for what purpose the American Company prints another amount I do not know. The interest on \$100,000,000 for two years at 5 per cent is \$10,000,000. In addition to that, when our Finance Minister goes back to New York he cannot take back that \$94,500,000 and say, "That is all I have, and that is all I am going to give you." He must take back from Canada \$100,000,000 though where he will get that amount I do not know. There is a deficit of \$5,500,000 to be made up. That amount plus the \$10,000,000 makes a total of \$15,500,000. For what? The only money which the Finance Minister will have had the use of is the \$94,500,000. We must pay \$15,500,000 for that loan. If you will figure out the interest, you will find that it is 8.03 per cent. Any schoolboy can figure that out. That is what we are paying, and it is at this time that we would go into an enterprise which, within the next 12 months, will require the raising of \$35,000,000 or \$40,000,000, as I will show.

I claim that this is not the time for such a proposal, and that if some other means can be devised of dealing with the question it ought to be adopted. And there is a means which is quite certain, in the opinion of some very good lawyers. Everybody in this House may not be aware that there is on the statute books a law having special reference to insolvent railways. That law was placed on the statute-book in the year 1904 by the honourable member for De Salaberry (Hon. Mr. Beique), and it has given satisfaction every time it has

been invoked. Here is a very short summary of it, and in case there should be in the minds of some honourable gentlemen any doubt respecting the existence of efficient machinery under the present law to wind up the Canadian Northern Railway company the following may be useful.

Under the provisions of the Exchequer Court Act, Chapter 140 of the Revised Statutes of Canada, Section 26 provides that the court has the power to order in such a manner as it may prescribe the sale or reorganization of a railway, subject to Federal jurisdiction, at the instance of the Minister of Railways, when the railway company has become insolvent. The court in such a case shall have all the powers for the appointment of a receiver, the interim preservation of the property, the delivery of possession, the making of all the necessary inquiries, the taking of accounts, the settling and determining of claims and priorities of creditors, the taxing and payment of costs, and generally the taking and directing of all such proceedings requisite and necessary to enforce its order or decree and render it effective, as in mortgage actions in the High Court of Justice in England.

The receiver whom the court may appoint takes possession of the railway and its accessories and under the direction of the court works and operates the railway, and maintains its accessories in good condition, renews the same or any part thereof, and does generally all acts necessary for the preservation, working, maintenance, administration and operation of the railway, and conducts suits on behalf of the Company in its name. He may also, if the court so directs, complete the construction and equipment of the railway.

The cases in which a railway company shall be deemed to be insolvent are enumerated in section 27, the provisions of which cover almost every conceivable case of financial difficulty. The section corresponds closely to a similar section in the Act for winding up insolvent companies, except that it is more stringent as to delays. These proceedings have been used to wind up and sell the Quebec Southern railway, the Atlantic and Lake Superior railway, the Baie des Chaleurs railway, the Central Ontario railway, the Père Marquette railway, which is now in the hands of a receiver under the jurisdiction of the Exchequer Court.

I may say also that the same group of persons who are interested in, or behind, the Canadian Northern people are many of them interested also in

another railway, a tramway this time, far from here—in Barcelona, Spain, and that railway is also in the hands of a receiver; and if this group could receive, as is intended, \$25,000,000 cash just now, that amount might be very useful in order to save the railway in Barcelona, where, it appears, the Spaniards were allowed to ride too cheaply on the cars, and not enough money was earned to pay the expenses, on the contract. In any case that \$25,000,000 would be very convenient now to enable that same group to release that enterprise. There is also a group interested in South America, in Rio Janeiro. By the way, the receiver appointed for the Barcelona railway was appointed in London, England.

People seem to be afraid to go before the Exchequer Court; they think it would be a terrible thing. Well, it is not. I was myself interested in two railways which went before the Exchequer Court. The process might take a little time. It might have the effect of a moratorium. It might stay the hand of all the hungry creditors who would pounce upon the fast-emptying treasury of this country. The proceedings of the Exchequer Court would take sufficient time perhaps to let the clouds roll by, and enable us to get money at less than 8 per cent. A receivership is the most prudent and easiest way, and in the United States it has resulted in excellent management. A receiver can borrow more cheaply than any other institution. When a receiver has been appointed and is acting under the jurisdiction of the court he buys anything that he may need either for the operation of the railroad or to complete its construction or to provide equipment. Anything he buys, he buys under the order of the court. He has the very first lien on the railroad, and every dollar that he spends goes before even the first mortgage and the second mortgage and the bonds. Consequently he is in a better position to borrow money than any one else. The appointment of a receiver would be a good method for the Government to adopt.

To submit this matter to arbitrators would be reverting to the system which obtained forty or fifty years ago. Whenever at that time a difficulty of this kind had to be settled, there were well-known Federal arbitrators appointed who went about the country settling claims. That system was not found satisfactory, and the Exchequer Court was given the necessary powers, and since then the Exchequer Court has been dealing with such matters. If the matter

were left to the Exchequer Court, the country would at least know the cost. I stated last night that we did not know what we were undertaking. If the matter is dealt with by the Exchequer Court, the bondholders would appear with their bonds and the claims of all who had claims would be presented, and an order of the court would issue that no claims would be entertained or allowed after a certain date. There would be an end to the claims. But under the method now being followed the door is left wide open, and, after the stock has been paid for by the Government up to \$25,000,000, the Bill authorizes other claims to come in. There is nothing I can see in the Bill which will put an end to the claims. But if the matter goes to the Exchequer Court, the court would declare that after the 20th of December next, or after the 1st of February next, no further claims would be received. The matter would be dealt with like any other insolvent estate, and the country would know the amount of these claims. Besides, every one who went before the Exchequer Court would have to prove his claim. If a pledgee came there with debentures to the amount of \$100,000, and these debentures had never been sold to him, if he had simply made a loan of, say, \$30,000 or \$40,000 on them, that fact would be declared in the court and the country would not have to pay the \$100,000, the face value or the par value of the bonds. The Exchequer Court would allow that man to rank according to his debt, and not higher. The honourable gentleman from Sydney (Hon. Mr. McLennan) is, I am sure, a fairminded man. He said last night that this Bill is distasteful to him. I appeal to him especially, and to other honourable gentlemen in this House if the question should not be referred to a court, where every person would have to prove his claim, and whose priority would rank according to the amount he had paid? His status would be fixed definitely and his claim settled.

If you read the Bill you will notice that the arbitrators are supposed to deal with the matter in a summary way. It was argued that that provision meant that they would sit from day to day, but "in a summary way" has another meaning. To refer the matter to the court does not necessarily involve the sale of the railway. A judgment of the Exchequer Court is equal to an act of this Parliament. The Exchequer Court

has full power to order the reorganization of this railway, and that might result in a new Canadian Northern system, with all the watered stock squeezed out of it and the system put on a paying basis and enabled to continue.

There should be no fear of receiverships in this country. Everybody should know that the appointment of a receiver has always been the best and easiest way of pulling a company out of difficulties. Honourable gentlemen are well aware that half—in fact, 75 per cent of the roads of the United States have been at some time or other in the hands of receivers; and when they were in the hands of receivers the public got the very best of service. It is a well known axiom in the United States that no railroad is better run than a railroad in the hands of a receiver. All the receiver has to do is to receive the money and give good service to the public. After all, the first duty of a railroad is to serve the public properly; and the receiver is the one who sees to that. He is not worried as to whether or not the coupons shall be paid, or whether or not there shall be any dividends for the shareholders. All he is paid for is to give good service, and he gives good service. The Wabash, which is an important system in the United States, has just emerged from the hands of a receiver and is all the better for it. The Rock Island railway, the Chicago and Great Western—these railroads went through the hands of receivers and came out all the better.

There is another great advantage. There is a certain amount of commitments by the Canadian Northern. When I speak of commitments I mean that there have been many promises made by the various companies and by the promoters, Messrs. Mackenzie and Mann. They have committed themselves to do many things. It is well known that in the province of British Columbia alone they are committed to the extent of \$20,000,000 or \$25,000,000. Where will the money come from? British Columbia guaranteed \$40,000,000, as the blue-book says, or \$47,000,000 according to the statement of the Attorney General. \$7,000,000 does not seem to be much one way or the other, for we seem to be going it blind in this matter. However, if this matter went to the Exchequer Court all the promises that have been made would have to be proven, and the country would not be held responsible for them if they were not. For instance, when Mackenzie and Mann got those guarantees from municipal-

ities they agreed to build certain stations of a certain style, and this and that. If these affairs went through the receiver's hands, all that would be cut out, because there would be no more liens unless the people went to the Exchequer Court and that court decided that they were entitled to them, which would be very doubtful. It would be very easy for the Government, in their clemency and generosity, to hand over anything that they believed was due in equity, if not in law; but their position would be very much stronger if they exercised the rights given under the legislation of 1914, by which the company is barred from even discussing the taking over of the railway. Under that legislation the Government could step into the property like an ordinary mortgagee, and there is no good reason why the Government should depart from that law.

One objection that was heard in another place and repeated in this House was that there would be seven receivers. The leader of the Government in this House told us last night, corroborating what his own leader had said in another place, that there would be seven.

Hon. Sir JAMES LOUGHEED: No, six. Let us make it six. I do not think I insisted on seven.

Hon. Mr. CASGRAIN: It would be seven, counting the Exchequer Court. Now, the legislation of 1914 expressly declares that all the subsidiary companies which up to that time had not been declared to be railways for the general advantage of Canada should come under Federal authority, and they were so placed, and they are still there. Then why does the leader of this House talk about seven receiverships, seven courts of law, seven sets of lawyers, in face of the fact that through the Exchequer Court one receiver could be appointed who could deal with the whole problem? In the interests of this country, in this time of stress and financial difficulty and uncertainty, a receiver could keep that railway in operation and in such condition that we would be able to deal with it later on when proper investigation was made. The Exchequer Court was created for that very purpose, and the law put on the statute book by the honourable member for De Salaberry is an excellent law. The Exchequer Court has the same power as an act of Parliament.

To show how good the Exchequer Court is, I may mention that when the matter of the Quebec and Saguenay railway came before Judge Cassels in that court, although



the Government's lawyer allowed one amount of \$500,000, and another of \$794,869, or a total of \$1,294,869, and said the railway was entitled to that, Judge Cassels cut out both amounts. If in that comparatively small matter of \$5,000,000 or \$6,000,000 he was able to cut off over a million, how much would he cut off if this Canadian Northern matter were referred to him? We are now practically saying: "We accept the whole mortgage, the whole of the unknown liabilities, all the commitments, all the equipment trust; we accept everything; and we will have an inquiry to find out how much we will give them after we have accepted everything and gone in blind." It would be like buying a house with a mortgage on it for more value than the value of the house, for in one case we have assets of \$402,000,000 and a liability of \$600,000,000; and, even if we add the \$30,000,000 of assets which they said they forgot, the amount is still much below what they are liable for.

I would not waste my breath about the stock, because the only people who investigated that declared that it had no value. I do not believe in having the arbitration; but I think everybody in this House would admit that it would be an excellent thing in the interests of this country if the matter went to the Exchequer Court. To give you an idea of what we are taking over, there is a company called the Prairie Land Company which originally had about 400,000,000 acres of land, on which bonds were issued for \$21,000,000 which the Government will have to pay. Whether they got \$21,000,000 or less is a question, on those bonds; very few of them were sold at par. That company sold 3,200,000 acres and got the money; but where is the money? We do not know. To-day there are only 800,000 acres of land left. Those bondholders are very imprudent, because in their trust deed they should have provided that when the lands were sold they should have received something on account.

Hon. Sir JAMES LOUGHEED: Do you not think they did?

Hon. Mr. CASGRAIN: You said we would have to pay \$21,000,000; but if they have been paid already it is a worse steal yet.

Hon. Sir JAMES LOUGHEED: We will point that out later.

Hon. Mr. BEAUBIEN: How did they get rid of the mortgage, if it rested on the land and they sold the land?

Hon. Mr. CASGRAIN: That is one of the mysteries of the Mackenzie and Mann transactions. That is one of the easy ones. However, the fact remains that \$21,000,000 must be paid by this Government, and what will they get in return? \$2,000,000 worth of stock in this company, and naturally the balance of the lands; but those are the lands that have been left out of the 4,000,000 acres which nobody would take. They may be in sloughs or in sandy places; they have been refused ever since they have been owned by Mackenzie and Mann or the Canadian Northern system—and it is not a large proportion to have one-fifth of the land unsuitable. But why should this country take 8,000,000 acres of land and pay \$21,000,000 for it when we have now more land than we know what to do with, and when we read in the advertisements that only one-tenth of the Northwest is settled, and we are looking for settlers?

Hon. Mr. CROSBY: I will tell you that when I come after you, something you do not understand yet.

Hon. Mr. McLENNAN: In speaking of the \$100,000,000 loan in New York, and the fact that \$96,000,000 was received and \$100,000,000 would have to be paid, the honourable gentleman said that he did not know where the Minister of Finance was going to be able to get it. It seemed to me that that remark might be liable to misapprehension.

Hon. Mr. CASGRAIN: I thank you for drawing my attention to that, because it might look as if I had lost confidence in the credit of this country. I have not got that far yet, although we are on a fair way of spoiling the credit of the country. I did not know, and that is my explanation of it. The people themselves, the present Government, have to pay out of the consolidated fund of Canada an amount equal to \$25,000,000.

Hon. Mr. CROSBY: Not exceeding \$25,000,000.

Hon. Mr. CASGRAIN: A bank cheque for \$25,000,000 to whom? That is the question. One of the fundamental principles of constitutional government is that when money is voted an amount is fixed and the person or institution that is to receive it named. Is that going to be the way here, or how is it going to be? This \$25,000,000 should be earmarked. The business men of this House should make it a point to know where and to whom that \$25,000,000 is to be paid. That is what Parliament is for.

At six o'clock the Senate took recess.

The Senate resumed at eight o'clock.

Hon. Mr. CASGRAIN (continuing): Honourable gentlemen, once again I have to take issue with the leader of the Government in this House. He said that the present Government had inherited a third Transcontinental railway. Now, the leader of the Government will admit that the former administration had nothing to do with that part of the Canadian Northern railway which is in British Columbia. He will admit that not one dollar of money and not one acre of land was granted, and that no encouragement was given for the building of that portion of the road. I have it on absolute authority, from no less a person than the ex-Prime Minister, that his Government had never given one cent of subsidy to the Canadian Northern railway in British Columbia. Therefore I may crave absolution

Hon. Sir JAMES LOUGHEED: You were the parent of the child, and we had to clothe it.

Hon. Mr. CASGRAIN: The policy of the Government at that time was that the railway should not go outside of Alberta. With all respect, I contradict the leader of the Government when he says the present Government inherited a third transcontinental railway, because after the former Government had granted subsidies to the Grand Trunk Pacific from Edmonton to Prince Rupert, surely no sane Government would think of subsidising another railway within an acre or two parallel for a distance of 350 miles from Edmonton to the top of the Yellowhead Pass. The honourable leader of the Government admitted this afternoon that my contention was correct—that when we did guarantee any bonds, it was on that piece of road from Port Arthur to Montreal. I believe that if the Canadian Northern had not undertaken that work in British Columbia they would be in a much better position to-day. From Edmonton westward for 360 miles the Grand Trunk Pacific has as fine a road as there is anywhere, and right next to it is the Canadian Northern which was built afterwards. When rails were wanted, what took place with those two parallel roads, in a country where no one lives? Beautiful railways, with easy curves, easy grades—beautiful roads, but no one to ride on them?

Hon. Mr. SHARPE: I thought the two

roads were racing to see who could get through first.

Hon. Mr. CASGRAIN: I stand to be corrected, but my opinion is that there was a race for location plans so as to get into the Yellowhead Pass, and the Canadian Northern Company allowed the other road to go ahead because they had no subsidy, and they were never known to build a road without some subsidies. Every one knows that no money was ever put into that enterprise except by the Federal Government, the local governments, and the municipalities. I must say that the municipalities are the only bodies that the Canadian Northern has not been able to get much money out of. The sum they got from municipalities is ridiculously small. I suppose they did not want to bother with small fry; they went to where there was money in large quantities. The first year that the present Government was in power it granted subsidies to that road in British Columbia. The road runs from Edmonton to the Yellowhead Pass, and there it turns almost at right angles, following the north branch of the Thompson river, and makes a bee-line for the Canadian Pacific railway. It could not take a more direct line to Kamloops, and from there it parallels the Canadian Pacific railway to New Westminster and Vancouver. It was one of the most expensive parts of the road to build. According to the honourable leader of the Government, it cost \$88,000 a mile, and there has been no return from that road.

If the Canadian Northern railway had remained in Alberta, Saskatchewan and Manitoba, it would not have been in its present predicament, and I charge the present Administration with having encouraged that road to go from Alberta into British Columbia. What was done in British Columbia? In the very first session that the present Government was in power it granted not merely one subsidy of \$3,000 a mile, but four subsidies, \$12,000 a mile in spot cash, for the same line in that province, and in addition the company received a guarantee of \$45,000 a mile from the Government of Sir Richard McBride, making the total receipts for that road in guarantees and subsidies \$57,000 a mile. That is one thing for which the former Administration is not responsible, but for which the present Administration must take the blame.

Then we come to Vancouver Island. We have not heard about it at all. Perhaps honourable gentlemen are not aware that they are buying railways on Vancouver island, which have no physical connection



whatever with the Canadian Northern system. What does the Government of this country want railways on Vancouver island for? Can any one give a good reason for that? I am informed that there is on the Alberni canal, on the west coast of Vancouver island, a railroad which is only partly built, built on a sort of shelf. Those who are familiar with the Saguenay river will understand me when I say it is as if the railway ran along Cape Eternity or Cape Trinity on the Saguenay and was not connected with anything. There is where the telegram from the Hon. Mr. Oliver, of British Columbia, comes in. He says to the Government: "In taking over this system, remember you must finish the undertakings of Messrs. Mackenzie and Mann on Vancouver Island, in the province of British Columbia; you must finish such works as the Alberni canal." It is, I am informed, the most expensive road that could possibly be built, hanging on the side of perpendicular rocks for mile after mile, and not starting anywhere or finishing anywhere or connecting with anything. What would that construction cost this country? We all know that Messrs. Mackenzie and Mann, whatever people may say about them, were the greatest railroad builders that this country has ever seen. They could do more and get more work done for one dollar than others could for more money; certainly they could get more done for one dollar than the Government could get done for two dollars, or even three.

We are to inherit that part of the estate, and we must finish it. Hon. Mr. Oliver telegraphed to the Prime Minister asking: "How are you going to finish it? Where are you going to get the money for the purpose?" What guarantee have we that this Government will be strong enough to resist the province of British Columbia. I think I see the candidates of the present Government at the next election going about on Vancouver island guaranteeing that certainly the work of construction will be proceeded with immediately, because the Government is committed to it.

Now, how much will it cost to bring that road to standard? The main line of the Canadian Northern may be in good condition, but how much will it cost to bring that section up to the standard? It will require an immense amount of money. It will be found that much more will be expected of the Government than would be expected of a private company. Extensions will be asked for and will have to be granted, or that part of the country will turn against the Government, for a private com-

pany would erect ordinary railway stations. They would put up the station and say, "That is the best we can do and you have to be satisfied with it." But with the Government the case would be different. I can quote in advance what the people will say. The Grand Trunk Pacific and the National Transcontinental built stations which were much too good. I admit it, but why should we commit a similar mistake? I do not know how honourable gentlemen on the other side can say, "Oh, the stations on this system will not be any better than those on the National Transcontinental." I am telling you now that on the National Transcontinental the stations were much too big for the traffic to be done, and were much too good. They were built with Government money. But in the case of the Canadian Northern the Government will be doing the same thing, if it does not do worse.

Then, as to the service, the people will ask for more trains; they will ask that a train shall stop here and a train shall stop there. We know what takes place on the Intercolonial railway. There will be a repetition of that from ocean to ocean. When it comes to the erection of stations what kind of station will satisfy the city of Montreal, the great metropolis of Canada, and the head of the railway system of 9,513 miles? When they see the beautiful station of the Grand Trunk and the palatial station of the Canadian Pacific railway, what kind of station do you think the city of Montreal will want? There is \$14,999 available for the purpose, and what kind of station do you think could be built in the city of Montreal for that amount, to compare with the beautiful Canadian Pacific Railway station only 100 yards away? I hope honourable gentlemen will take this into consideration before voting on the subject, and they may perhaps then feel inclined to vote in favour of the motion by the honourable leader of the Opposition that we should have more information about this proposal, so that we may know what it means and how much money will be required.

With regard to equipment, the very best cars will be required. We know that on many branches of the Canadian Northern there are perhaps one or two engines and one train going up and down each day, or, as has been the case outside of Edmonton for years, a train going up one day and coming back the next day. Such arrangements accommodated the people to a certain extent, and the people had to put up

with it because they could get no better accommodation from Mackenzie and Mann. But when the Government owns the railway the people will want the very best of service. What will be the cost of improving the service, and what revenue will the country get for it?

I really believe that in order to assume all the known liabilities and requirements and in order to bring the system up to the standard, the public debt will be increased much more than \$600,000,000. That figure has been mentioned often in another place, and never has it been contradicted, by either the Minister of Railways or the Minister of Finance. I think this transaction is a calamity for Canada. It is a calamity from the financial point of view. It is a calamity also with respect to the service we shall get from it. We know very well what kind of service we are getting on the Intercolonial railway and what it is costing this country. Was the Intercolonial railway ever known to pay a cent of return on the cost of the road, or even a cent of return on all that is put into it from year to year? I am open to correction. I stand subject to correction by honourable gentlemen from the Maritime Provinces, but I have never heard that the Intercolonial under Government management ever paid anything on its cost. If it had any bonds it would have been bankrupt long ago. If it had any shareholders, they would have got nothing at all.

Then, all the construction to which the Canadian Northern has committed itself will have to be done by the Government. I do not care whether it is this Government or any other. There will be such pressure brought to bear upon them that they will have to give way; whereas the Canadian Northern under Mackenzie and Mann could resist the pressure and simply say: "We have not the money; Sir William Mackenzie is away in England; if he can raise the money there we will build the line; we expect him back in a short time." That used to be the excuse for years. Mr. Mackenzie was absent and it would be necessary to wait until he come back; or Mr. Mann was ill, having undergone an operation, and the matter would have to be deferred for another season. There was always some good reason given. But the Government cannot become ill, the Government cannot go to England, and the Government will have to do the work.

There is only one remedy for the situation, and that is the remedy which I indicated this afternoon—to refer this matter

to the Exchequer Court. All these questions would then be disposed of and there would be no more talk, but only the ruling of the court. There are securities which must be looked after during this coming year; and, after speaking of money at eight per cent, let me point out some of the securities for which this country will have to provide. I will give you the dates. The information is found in the company's own book. There is, first and foremost, the "Memorandum re Short Term Loans, Loans and Current Liabilities, June 15, 1916." The total is \$98,000,000. And that does come in immediately. Here are some of the items:

Canadian Northern railway 6% 1 and 2 year notes July 10, 1917, and July 10, 1918, \$6,000,000.

Now we do not even know whether this has been paid or not.

Canadian Northern railway 4% D.S. (Dom. Guant) two year notes 1st September, 1917, \$11,500,000.

We do not know whether that has been paid or not. We do not know who is going to pay that whether the Canadian Northern or the taxpayers of this country; but it must be paid; someone must pay it, if the Government takes over the road, especially if it is taken over without having the matter referred to the Exchequer Court and having the company declared insolvent. If that were done we could pay when we liked.

Canadian Northern railway 5% one year notes, September 1st, 1917, \$1,750,000.

Canadian Northern railway 5% one and two year notes due 10th January, 1918 and 10th January, 1919, \$2,500,000.

The total is the neat little lump of \$21,750,000, and the treasurer of this country must go to New York or somewhere else to find the money in order to pay it. Why not let it become insolvent before we put our money into it. What is the use of sending good money after bad and impairing the credit of this country? Lower down on page 8 you will find:

|  |                     |
|--|---------------------|
| Temporary loans and advances covering interest reconstruction betterments and equipment at 14th June, 1917....                       | \$21,145,913        |
| Less: Receivable from proceeds of securities, etc., applicable in reduction of the above certified to by Company's Official .. . . . | 1,260,898           |
|  | <u>\$19,885,015</u> |
| Due to Construction Contractors at April 30, 1917.. . . .  | 1,277,323           |

If you add those three items together you get a grand total of \$42,912,338, which is a

very considerable amount, which we must find and pay this year. And I showed this afternoon that the Finance Minister had paid 8 per cent for the loan of \$100,000,000 in New York.

While I am on this page, may I point out the carelessness with which this statement has been prepared. We have on page 8 of the report: "Payrolls, audited vouchers, etc." The vouchers have been audited by Webb, Read, Hegan, Callingham & Co., chartered accountants—\$12,994,152. Now, turning to page 1 of the book, what do we find? "Audited vouchers and other floating liabilities," etc. The amount given is \$12,994,152.11. There is a difference of 11 cents, and yet the statements were prepared eleven and a half months apart. I say that the clerk who prepared this was very careless. He should have read this over, and for decency's sake, he should have made a difference of \$1,000 anyway, because the amount after 12 months would not be the same. Still, there is the document put before you. What confidence can we have in figures like these? There must be some honourable gentlemen here who are well versed in finance and are accustomed to statements of companies, and I would like some honourable gentleman to find in this book any reference to the liabilities to the Government for advances. Where are those liabilities shown? There must be some liability, since the company have agreed to pay the interest on the advances, etc. I cannot find any trace of that liability. I hope some honourable gentleman will be able to find it, for the Government has lent them \$15,000,000 at one time, and more money at another time.

What did the company realize? There is another very important point to which I would call attention. What did the company realize from the convertible debenture stock issue of \$25,000,000? A great gusto was made last week. It was stated that we were going to become the owners of all those shares. It was said that we already had forty millions and we were going to own the other sixty millions, and would own the whole thing. The holders of this debenture stock may come at any time and say, "We want shares." I admit it is not very likely, however, but we can find no trace of what was realized for that \$25,000,000 of convertible stock. Where did the money go? How was it employed? Was it at par, or discount? Who owns this stock? That is another mystery.

It appears that during the year the con-

tractors were paid, roughly speaking, about \$15,000,000. I would like to know who were those contractors. The amount due in June, 1916, was \$16,666,957; but in June, 1917, it was reduced \$1,227,323; consequently there was \$15,000,000 or a little over paid to the contractors. But who those contractors were I really do not know, and nobody knows. It would be very interesting to have that information. Perhaps they were, forsooth, the Mackenzie and Mann Contracting Company, Limited. If, as is reasonable to suppose they were, they made a little profit out of it. They were not absolutely without profit.

The funded debt in June, 1916, was \$285,416,264. In June, 1917, that debt had run up to \$359,931,625 about \$75,000,000 more. What was done with this \$75,000,000 during that short 12 months? That is something which the Senate should be told, if the Senate is going to know anything about this matter.

The Canadian Northern mileage is, roughly speaking, 9,513 miles. The main line is about 3,200 miles, and the branch lines about 6,313 miles. The liabilities to be assumed by the Government for the road as it stands will not be less than \$600,000,000 or \$63,000 per mile. The main line, as I have already stated, is in good condition, but some of the prairie lines are in very poor condition. I can call upon any honourable gentleman living on the prairies to corroborate that statement. There are some ties laid on the prairie, and a little soil is thrown around them, and that is all. Those branch lines, if the Government takes over the road, will have to be brought up to the proper standard, and it is estimated by reliable authority that to do so will require at least \$20,000 per mile, which will make the cost of that road per mile over \$80,000. Taking \$80,000 at 5 per cent, that means that the earnings must be \$4,000 per mile over and above the working expenses, in order to pay the interest. How much business will it be necessary to do on those roads in order to make a profit of \$4,000 per mile? We all know that there is about one dollar made out of every three dollars. Consequently the earnings would have to be about \$12,000 per mile. That is greater than the Canadian Pacific railway is making to-day.

What were the net earnings last year? They were about \$1,200 per mile. The year before they were less than \$1,000 per mile. I would like to draw special attention to that fact. They were not \$4,000 per mile last year, or the year before, but about \$1,000. Under government management the

expenses will probably be largely increased and the net earnings will probably be diminished. Therefore you will see that for every mile of that system there will be a deficit which must be met by the taxpayers of this country.

The principal items of liabilities as per the memorandum attached amounted to \$392,432,105 on June 30, 1916, while they amounted to \$487,501,170 on June 15, 1917, an increase of nearly \$95,069,065 during the year. If the liabilities are increasing at that rate there is no reason to suppose that the government liabilities in connection with the system will not increase in the same ratio as they did when the road was in the hands of private individuals. You will see the enormous amount of money involved.

Then, of course, there is always that story of the current liabilities being about the same.

The following statement summarizes the situation:

|   | Liabilities.   |                |
|---|----------------|----------------|
|   | June 30, 1916. | June 15, 1917. |
| Funded debt. C.N.R.                             |                |                |
| Schedule A. . . . .                             | \$162,192,440  | \$359,931,635  |
| Funded debt. C.N.R.                             |                |                |
| Schedule B. . . . .                             | 123,223,82     |                |
| Equipment Trust . . . . .                       | 16,862,500     | 14,846,500     |
| Temporary Loans                                 |                | 19,885,015     |
| against Securities. . . . .                     | 55,912,961     | 73,987,274     |
| Due to other co's on construction a/c . . . . . | 16,666,957     | 1,277,323      |
| Secured—  |                |                |
| Current liabilities                             |                |                |
| pay-rolls, vouchers                             |                |                |
| etc. . . . .                                    | 12,994,152     | 12,994,152     |
| Coupons & Div. warrants (since paid)            | 2,166,597      | 4,579,271      |
| Accrued interest on Bonds, etc. . . . .         | 2,412,674      |                |
|   | \$392,432,105  | \$487,501,170  |
| Excess over 1916. . . . .                       |                | \$ 95,069,065  |

I want to show how the inside group of people who are connected with this business, not the taxpayers, will make money out of it. The taking over of this road by the Government considerably enhances the value of all those securities. A person might have a claim against the Canadian Northern, a doubtful claim that would involve a lot of litigation before he got the money; but the moment the Government assumes it, that claim becomes a Government security and worth par, plus interest, from the time the claim is due. There is where the fortunate insiders will make money, the people who knew this was coming. Honourable gentlemen must not think that this is a bolt out of the blue. This coup has been premeditated for years. What was wanted was a majority in both Houses of this Parliament. The insiders

knew about it, and went and secured options on or paid money for some of those securities, which to-day have got behind them the credit of this great country, and hence are worth par with interest. Those insiders took questionable and doubtful paper at a great reduction, and those who were fortunate enough will make a great speculation at the expense of the taxpayers of this country. All the guarantees are to be assumed. There has always been a good price for the bonds guaranteed by the provinces, but those that are unguaranteed, amounting to \$147,000,000, have been on the market at 60, 65 and 70 cents for anybody who wanted them for more. We are going to pay par for those, and there is going to be an arbitration afterwards to see whether we should not give a sort of honorarium, or fee, or recompense, to the people who succeeded in putting this road into insolvency. The \$147,000,000 of unguaranteed securities is where the group of insiders will make their millions. Having bought them at 60 and 70 cents they stand to make fifty millions of dollars if they only get an advance of 30 per cent, and the Government has given them that. The group has been sitting up nights and thinking about this thing, organizing the whole business.

Money has been lying in the bank in Alberta for several years for the building of branch lines, in many instances in duplication of existing lines, as I am informed; but they do not dare to take that money out to apply it to any other part of the system, because a judgment of the Privy Council has decided that when bonds have been issued and authority given to build a line in a certain place the money cannot be diverted from one line to another. Even the Alberta Government themselves, who guaranteed some of those lines, could not take the money and transfer it from one line to the other, and that Government, with the whole power of a large majority in the Legislature, were not able to pass legally legislation allowing that money to be diverted.

Now what is going to be done here? The Government has to build those lines. Where will they build them? They do not know; we do not know. How much would it cost to build them? That is not known, either. Is there enough money in the bank to build them? We do not know. If there is not, we will have to borrow it, and at a high rate of interest.

The honourable gentleman from Cape Breton (Hon. Mr. McLennan) seems to believe in public ownership; rationalization of railways seems to be his hobby. He has seen the service given by the Intercolonial

railway, and I would ask him if he would want such a system to extend from the Atlantic to the Pacific. All the taxes that we can levy in this country would not meet the deficit if the road was run as the Interecolonial has been run by any government. Personally I am absolutely against Government ownership. I have had something to do with a railway near the Intercolonial, and we could get people to work on our road; but after a snow storm on the Interecolonial the men would not do any work, and when the foreman would come to a man and say, "Here, Jean Baptiste, you go faster than that," the man would reply, "I won't go faster, I am going fast enough." Then the foreman would say, "I will dismiss you," and the man would reply, "You don't dare to do it; I will go to Charlie Mareil our member."

Hon. Mr. TANNER: That may be the state of affairs in Quebec, but it certainly does not exist in the Maritime Provinces. There the people work.

Hon. Mr. CASGRAIN: I am very glad to see that the people work down there, and if they do I do not see why they will not pay freight like other people, so that the railway might make some return. It runs through New Brunswick and Nova Scotia, and has never paid a cent into the treasury.

Hon. Mr. TANNER: My honourable friend is entirely mistaken. If it were not for the exceedingly great expense that is incurred in the province of Quebec the railway would be a very profitable system.

Hon. Mr. CASGRAIN: That is a satisfactory answer to the majority—to put it on Quebec. I will not answer that; you can get my friend, Senator Choquette, to answer that.

Hon. Sir JAMES LOUGHEED: Switch on to the Canadian Northern now.

Hon. Mr. CASGRAIN: The Canadian Northern will add a very large amount to our debt, nearly three-quarters of a billion; and as the debt is now one and a quarter billion, we will have two billions of a debt as soon as this transaction goes through. That will mean \$100,000,000 yearly for interest, and the whole income tax that will be raised in this country will not be sufficient to pay the deficit on this transaction. All this talk of an arbitration on the shares has been nothing but a red herring to take the mind of the people away from the known and unknown liabilities

of the road, because everyone knows that there is no equity in that road at all. But the plan worked beautifully.

I take off my hat to the Minister of Finance, he is certainly one of the ablest men that ever sat in this Parliament. He was able to put it all over the Commons members, even the member for St. John, with all his astuteness, because the Minister of Finance could explain everything so nicely to him. He is a great acquisition to the Conservatives, and I really believe it was a loss to the Liberal party when he left our side, for if he had stayed with us we would have had one man able to put many things over.

Hon. Mr. CROSBY: That is what you want to do.

Hon. Mr. CASGRAIN: This thing has been well staged. The press from end to end of Canada has been chloroformed. The good Toronto Globe has no big headings, no talk of "Raid on the treasury." How does that come? It is because there is a group of gentlemen, able men, to whom the Conservative party is no more than the Liberal party, who are always on the side that is in power. They have made the Government. Formerly many of this group were Liberals, but the day came when they saw light; perhaps they were not satisfied with the earnings on our side; however, they changed, and became good Conservatives, at least for the time being. I would not give much for their conversion; I do not think they will have final perseverance; but if we ever return to power I expect to see them back and get in the band wagon with us, and directing our party the same as they are directing this party. Mackenzie and Mann are not the heads of the group, but they are good partners in it. In 1904 we had a general election, and that group came down to Montreal; they had had it all their own way up in Toronto, for no Liberal could have a look-in to the fourteen counties around Toronto, and they thought they could do the same thing in Montreal. It was necessary to buy the big French paper, *La Presse*, which had a bigger circulation by 40,000 than any other. It was Mackenzie and Mann, Greenshields, and Lord Atholstan who bought *La Presse*. It was done in a very questionable way. However, they bought it, and there was a lot of champagne over it; people who signed might not have signed if they had not taken so much champagne. They did not keep *La Presse*



very long. They fought during the election all they could, but they did not come into power. That same group tried to cut the political throat of Sir Wilfrid Laurier on that occasion, but they did not succeed. What did they do? Six weeks afterwards they were as tame as doves; they were eating right out of his hand; they had come right back, every one of them, and they wanted to be his very best friends; and as he is good-hearted he took them to his bosom once more. The question is now on that \$147,000,000. Who is going to get that money? I do not believe that Mackenzie and Mann will get that money, that \$50,000,000 of profit that will be made on those unguaranteed securities. I do not think the country will get it either; I do not think the Canadian Bank of Commerce will get it; but I think those who get that will be that group of financiers, the same old outfit that wants \$25,000,000 right now for different purposes, who have interests scattered through this broad universe, in South America, in Spain, and other parts of the world.

Before I conclude I want to read something from the Toronto Globe, dated 1st of November, 1911, and it is prophetic; no one could have thought any one could read into the future like this. It is a letter written by another good Conservative—to-day I am reading only letters from Conservatives. The writer of this letter is R. A. Reid, D.C.L., a Toronto barrister, and a very well-known Conservative worker:

To the Editor of the Globe: In view of the universal dissatisfaction in Canada with the new Conservative Government regarding the appointment of Mr. W. T. White to the position of Minister of Finance in the Borden Cabinet, it may not be amiss to point out a few things that might be brought about by such a total disregard of the people's rights and interests in this country.

Now I will pass a long way and read only a few sentences:

It seems a most extraordinary thing that Premier Borden has not been able to select a Minister of Finance out of the whole number of his supporters elected by the voice of the people at the recent elections held in Canada. What is the reason for such a strange state of affairs? Surely there must have been at least one man elected as competent as Mr. White at any rate, to fill the position. If not, then it is a sad commentary on the intelligence of the people of this country. What is the position of affairs regarding this matter as things stand to-day? Here we have a man, Mr. White, who was not a candidate during the recent elections, who was not elected to Parliament, who is not now a member of the House of Commons and who is nevertheless for the present, at any rate, a Cabinet minister, sitting at the Council Board of Canada

without any authority from the people of this country and passing upon measures of more or less importance from the date of his selection by a group of constitutionally irresponsible, unlettered, so-called financial magnates, representing not the people's interests or the interests of the masses, but the financial or moneyed interests who may hereafter be seeking special privileges or favours from the Government of the day.

Is not that prophetic? Has it not turned out exactly as was foretold?

We are not overstating the position when we say that the honours of governing Canada at this date are pretty evenly divided between the railway companies, the bloated capitalists and monopolists, the unscrupulous corporation politicians and the financial interests. These are the chief governing factors at Ottawa to-day.

That was written six years ago, but one would think that it was written this morning.

And the sooner the source of this form of government is destroyed and the growth torn out, root, branch and fungus, the better it will be for the Conservative Administration in this country.

"We, the people, rule," is a familiar pet expression. Yes, the people rule (sometimes) in the conventions, when they select their candidate, but when the candidates are elected some of them have a different ruler. We have a new Government in this country and it looks as though it would become tied and bound to the corporation influences and financial interests in a worse manner than ever before heard of in Canada. What do we find? Men who from an intellectual standpoint know nothing of the principles of constitutional law or government and less of politics, men who could not tell a fundamental principle of government from their funny-bone, rushing down to Ottawa and getting what has been called the ear of Mr. Borden when forming his Cabinet. We find men like J. W. Flavell, Z. A. Lash, W. T. White, Willison of The News, Graham of The Montreal Star, and that intellectual giant, Arthur Hawkes, all out to dictate who shall govern this country.

Let us for a moment carry our memories back to the mass meeting in Massey Hall last summer, called to protest against the reciprocity measure, when it was noticed that the letters Canadian Northern railway were strongly in evidence everywhere. What did we find, and whom did we find mostly in evidence? Why, Arthur Hawkes, alleged to be the editor of a paper, said to be a newspaper, called The British Weekly, and formerly employed by Mackenzie & Mann, who on that occasion made what he called a speech. Z. A. Lash was also there. He was formerly legal adviser for Mackenzie & Mann, and is largely interested in their enterprises at the present time. W. T. White was also there explaining the great things to be expected if the financiers were to continue in charge of the affairs of this country.

There is a great deal more of this that I could read, but I shall just read one more short paragraph:

The interests considered there was not one among the whole number of Conservatives elected on September 21st, 1911, qualified to fill the positions to their liking.

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That is referring to the position of Finance Minister. The interests, the group, could find no one in the Conservative party in this country to fill that position, and they gave it to a man who had been a Liberal all his life, and who at the Massey Hall meeting declared himself to be a Liberal. Of course, the Liberals are noted for their honesty, and if they wanted to keep the strong box intact, the Government said: "We cannot trust a Conservative from New Brunswick, Nova Scotia, or even Quebec," and they took in a Liberal. I am afraid that evil associations

corrupt good manners. Now, I shall read the last paragraph:

The "interests" considered there was not one among the whole number of Conservatives elected on Sept. 21, 1911, qualified to fill the position to their liking, and so all those good old staunch Conservatives who had borne the burden and heat of the day for years on the Conservative side in the House of Commons and in the party, men who have spent their whole lives working for the country and the party, were passed over and a stranger and political adventurer was suddenly thrust to the front as a minister of the Crown over their heads. The smile that came over the faces of "Doctor" Flavelle, J.J.D., White, Lash, Walker, Arthur Hawkes and the other plotters after they had accomplished their purpose can be better imagined than described.

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