

for \$50,000,000. The proceeds of these bonds may be \$45,000,000. Of what advantage it is to the government that they are to receive and pay out the \$45,000,000 when perhaps less than that amount of work may have been done. The bank or somebody else who has advanced the money has their guarantee for \$50,000,000? The government cannot say they are not responsible for it. They cannot confine their responsibility to the amount of the cash advanced on these bonds or make their responsibility conditional upon a final settlement of construction account. The moment the government put their guarantee on an issue of \$1,000,000 this country is liable for the whole \$1,000,000. In the ordinary course the government of Canada with \$100,000,000 certified by its engineer would only advance \$85,000,000, or it would not guarantee more than that sum. But, under this arrangement the government guarantees the whole \$100,000,000 unless there is something in these contracts that neither Mr. Chrysler nor the Minister of Justice was able to point out.

Mr. HAGGART. The old form of agreement with the contractors was to issue interim bonds, but they found it difficult to negotiate these and they asked to exchange them for permanent bonds to which the government consented on the condition that when the bonds are issued they will get the cash for them.

Mr. L. G. McCARTHY. The government gets the cash.

Mr. HAGGART. The government gets the cash for the whole of the bonds before they issue one dollar, and the obligation the government enters into is to pay them out as the work proceeds. My hon. friend (Mr. Barker) asks what guarantee they have that the work is done when they issue the money, and he says that the certificate of an under engineer is all the authority there is to issue the bonds. But the fact is this: the Grand Trunk Pacific enter into a contract with contractors to build the road, and the government only advances 75 per cent—

Mr. BARKER. Where do you find that?

Mr. HAGGART. Then the government have the security of the contract which the Grand Trunk Pacific makes with the contractor, and very likely that contract is that they will advance everything upon the work done except 15 per cent. Anyway if Mr. Shepley's opinion is correct at all, the government may make the advance on such conditions as they please.

Mr. BARKER. He does not say that.

Mr. HAGGART. He does, he says:

The mortgage provides that the proceeds of these bonds as they are marketed from time to time are to be placed at the credit of the Min-

ister of Finance and the Receiver General, and paid out from time to time with certain safeguards as they are earned on construction work.

Mr. BARKER. It does not say what the safeguards are.

Mr. HAGGART. Mr. Shepley says there are safeguards. After all, the government guarantee 15 per cent, and they get the whole money from the bonds into their hands. Then they pay out on the contract as it advances. The probability is that the Grand Trunk Pacific will not advance more than 85 per cent of the cost of construction to the contractor, and if Mr. Shepley is right, they can even then only advance it on such conditions and safeguards as the government may think fit.

Mr. L. G. McCARTHY. The fears of the hon. gentleman (Mr. Barker) as to what the contract may permit are not well founded. Section 4, at page 15 of the Bill, states:

In proportion as the construction of the western division is proceeded with to the satisfaction of the government, according to the specifications agreed upon or to be agreed upon between the government and the Pacific Company, the government shall, out of the said proceeds and interest, pay to the Pacific Company or its nominees, in monthly payments as far as practicable, such sums as the chief engineer appointed by the government or such other officer as the government may appoint for that purpose, may certify are earned, having regard to the cost, at the date of such certificate, of construction work as hereinbefore defined, and having regard to the proportion of the cost of construction which, under the scheduled agreements, is to be met by the proceeds of bonds guaranteed by the government.

That is consistent with what Mr. Chrysler said in the committee, that the matter was entirely in the hands of the government. The suggestion of the hon. gentleman (Mr. Barker) is that there ought to be some words in the contract leaving it in the hands of the government, but in the contract are these very words: That these contracts are to proceed according to specifications to be agreed upon between the company and the government, and the money is not paid out upon the progress estimates upon the certificate of a junior engineer, but 'on certificate of the chief engineer or some other officer specially appointed by the government for that purpose.' The matter is therefore entirely in the hands of the government to make the specifications in the form which they see fit. The chief engineer has it then absolutely in his own hands to see that too much money is not paid out. He is responsible to the government and the government to the people, that more money than is earned is not paid out. I believe that this is even more safe than the retaining of 15 or 20 per cent, as is usual when interim bonds are issued. Therefore, I would ask the hon. gentleman (Mr. Barker) to allow the Bill to go, if that is the only objection he has.