

Q. If the result would be as I think the result is, as already shown by answers given in the House to decree a substantial overdraft in the Bank of Montreal, is your attitude just the same?—A. Absolutely clear as to the power to overdraw. I am only dealing with the legal rights.

Q. In your view this is legal to some extent, because sometimes statutes are construed as rights, are construed, having regard to the objects of the Act. What, in your opinion, was the idea of the Act of 1919? Was it not rather that the railway should be administered in a businesslike manner at the smallest expense to the country, revenues applied to the payment of operating expenses and wages and the like, rather than that those revenues could be applied in the purchase of new capital assets?—A. I suppose the answer to that would be the answer given by Parliament as stated in the recital which says:

“Whereas His Majesty on behalf of the Dominion of Canada has acquired control of the Canadian Northern Railway Company and of the various Constituent and Subsidiary Companies comprising the Canadian Northern System, as specified in the First Schedule to this Act, and it is expedient to provide for the incorporation of a company under which the railways, works and undertakings of the companies comprised in the Canadian Northern System may be consolidated, and together with the Canadian Government Railways operated as a national railway system.”

That is the answer.

Q. Taking your answer, is your idea that the railways, having in view legislation, ought to be run so that their current receipts would be employed in payment of current liabilities or that their receipts should be employed for the purpose of extending the operations of the system?—A. That is a financial question. I do not think that is a legal question.

Q. It goes to the very meat of the matter?—A. It is a policy of finance. There are people who are paid to do that kind of thing and I do not interfere with them.

Q. Who would those people be?—A. The President, and Vice-president of finance.

Q. At present, as a matter of law, is it possible to withdraw large sums of money from the banks of the system in a new matter without the consent and approval of the directors?—A. Yes.

Q. It is?—A. Yes.

Q. We had it from Sir Henry Thornton that the first and I hope Mr. Kyte will listen to me now carefully and say if it is wrong, because if it is wrong I want it put right—that the directors knew about this matter was when the case came up in Parliament in June of last year. I think he said that. In your view was it or was it not necessary for Sir Henry (Thornton) to consult his Board before committing his Board to this new capital expenditure?—A. It was not necessary but it should be.

Q. It was not necessary but it should be?—A. Yes.

Q. What amendment would you suggest for the purpose of curing that situation?—A. I would amend the by-laws of the company so that any expenditure of say, over \$100,000 should be approved first by the Board or the executive committee. The Executive Committee is simply the same Board in a smaller quorum.

Q. Do you not think it also should go to the extent of controlling the handling for deposit purposes of the moneys of the system?—A. That is a matter for the Vice-president of finance. I would take his recommendation on that matter preferably. I never butt in on another department if I can avoid it.