

companies to take advantage of that general provision of law. Perhaps the honourable gentleman would like to press his point a little further in committee, and I will notify these people that they should be prepared to give further information on this matter.

Hon. Mr. Aseltine: The head office of the Brazilian Traction Company is not being moved?

Hon. Mr. Connolly (Ottawa West): No.

Hon. Mr. Aseltine: And these are all subsidiaries of that company?

Hon. Mr. Connolly (Ottawa West): Yes.

Hon. Mr. Roebuck: The head office of Brazilian Traction is in Canada?

Hon. Mr. Connolly (Ottawa West): Yes, and it is not being moved. May I now try to deal with the first question asked by the honourable senator from Toronto-Trinity (Hon. Mr. Roebuck)? I find it difficult to say why so sweeping a statement would be made as that there are absolutely no assets of this company in Canada. Their head office must be here. With the exception of 23 shares out of 450,000 issued, all shares in the company are owned by Brazilian Traction. Its head office in Canada is probably in the same office as that of Brazilian Traction. I cannot say whether it pays Brazilian Traction for that advantage. Unless under the Ontario law there is a tax for a place of business, there is not likely to be any tax paid by this company in Canada. All of its earnings are made in Brazil. Indirectly, of course, Canada would be collecting taxes on any dividends that the company pays or any interest on its debenture debt that it pays when that is transferred to the Canadian shareholders, the main one being Brazilian Traction. That source of revenue will continue because the main shareholder remains a Canadian. The honourable senator who raised this matter may like to press it further in committee.

Next I would deal with the question raised by the honourable senator from New Westminster (Hon. Mr. Reid). He asked: if this company will have any rights under Canadian law hereafter. My answer is a categorical no. This company is removing itself from the jurisdiction of the Canadian law and subjecting itself to the jurisdiction of the Brazilian law. Its corporate existence was established here but now, as I have said, it is going to remove itself from the Canadian law and become subject to Brazilian law.

Finally I come to the question raised by the honourable senator from St. John's (Hon. Mr. Baird). If I recall it correctly it was this: How do the shareholders feel about this and are their rights being ignored and overridden? As I said, there are 450,000 shares issued by this company, 449,977 of which are

owned by Brazilian Traction. In other words, Brazilian Traction, owning 99.99 per cent of the shares, is for all practical purposes the only shareholder. I would think it is a matter of company policy that it has been decided to do this, and while I am not certain, it appears to be such a major investment policy of the parent company, Brazilian Traction, that I would think their shareholders have already been asked to pass upon this proposal.

The motion was agreed to, and the bill was read the second time.

REFERRED TO COMMITTEE

On motion of Hon. Mr. Connolly (Ottawa West), the bill was referred to the Standing Committee on Banking and Commerce.

SAO PAULO ELECTRIC COMPANY, LIMITED— SECOND READING

Hon. John J. Connolly moved the second reading of Bill F, respecting Sao Paulo Electric Company, Limited.

He said: Honourable senators, the Sao Paulo Electric Company, Limited, is a company incorporated by letters patent under the provisions of the Canadian Companies Act. I am informed that all of its assets are in Brazil. The authorized capital of the company is \$10 million, divided into 100,000 shares of \$100 each. I might say that 6,950 shares have been issued, all of them to Brazilian Traction Light and Power Company.

The company has a debenture debt aggregating \$4,368,000, which is also held by Brazilian Traction. There is a relatively small first mortgage on certain of its assets amounting to \$45,000, also in favour of Brazilian Traction.

The company generates and distributes electrical power in the State of Sao Paulo. I am informed that its assets in that area are worth some \$21,700,000. This legislation proposes that the company transfer its head office from Toronto to some place in Brazil. In order to accomplish this the unanimous vote of the shareholders at a special meeting is required to sanction the required by-law.

Honourable senators, I believe here I need only refer to the general explanation I gave on the previous bill. This measure also provides that when the decree issues—that is to say, a decree of nationalization, which is to be issued in Brazil—the Companies Act of Canada shall no longer apply. That decree of nationalization is to be filed in the office of the Secretary of State of Canada. When that happens the Canadian Companies Act will no longer apply.

The motion was agreed to, and the bill was read the second time.