

Supply—Railways—C.N.R.

section 7 of the act, to the Governor in Council for approval. I take it that is absolutely clear. I want to be entirely consistent and I think I am. Again, speaking particularly to my hon. friend the hon. member for Dorchester, the position that was taken in 1920, I think he will find—and if it was not taken, then it was wrong—was in regard, to the expenditure of funds in the ordinary carrying out of the business of the corporation on the one hand, or, on the other hand, the expenditure of funds which had been authorized as capital expenditure by this parliament.

Mr. CANNON: In the Debates of 1921, page 1662, Dr. Reid, the Minister of Railways, stated:

They can expend all the earnings without any certificate from the Railway department, but they cannot get any money from the Finance department until they get a certificate from the Railway department that the work is necessary. Then the money is provided as the work proceeds.

Sir HENRY DRAYTON: I agree with my hon. friend and he is going to agree with me, because he is not going to say that that application of moneys received can be for anything outside the powers of the directorate under the Railway Act. In other words, the directors' trust, in running the business and getting in the receipts, is to apply the receipts and moneys they take in, to the discharge of their current obligations arising out of the carrying on of the business. I think my hon. friend will agree with that. I entirely agree with what was said, and I think he will agree with me that that is the legal result of what was said, because we had to look at the act. Now the position here is entirely different. Here we have a new field and a new expenditure entirely, and an expenditure for a new purpose admittedly. The Canadian National never entered the continental field at any time. They had no offices over there of any kind. I am not saying this for the purpose of trying the matter out. No one would call to order directors who entered into a lease for the purpose of trying the matter out with small commitments—commitments that should be made out of the year's business. That would be all right, but that is not what we have. We have an entry into a new field, plus the application of the moneys which ought, under the act, to have been applied in the discharge of the regular obligations of the company, to a purpose entirely new and outside the former operations of the company. That would not be illegal if you had the shareholders say so—I admit that. But in order to make it legal the shareholders say so, endorsement will have to be given, and the shareholder in this case happens to

[Sir Henry Drayton.]

be the Governor in Council. I hope my hon. friend will not accuse me of inconsistency. My argument may be weak, but I do not believe that he thinks so. He has followed me closely, and I think he agrees with me. But be it strong or weak, it is sincere. I sincerely believe it is absolutely illegal for any director to switch the capital funds of the company, that it is illegal to undertake any new and further obligations outside of the ambit of the present operations, and I think my hon. friend will say I am, at least, sincere.

Mr. GRAHAM: My hon. friend is giving me the exact concrete form of the thing I would like to have said, but I could not have said it as well. He argues this board has the same power, say, as the board of the Canadian Pacific Railway—to get down to a concrete case. I wish to ask this question: If the Canadian Pacific Railway wanted to buy a property in Paris, and put up the president of the railroad or someone else to buy it, in order that they might get the use of it, would they call the shareholders together and get their consent to it? No. Because that would make it public, and you could not buy it then, except at a price and a half. What they would do in nine cases out of ten would be that the president himself would get an option on the property, and would have a perfect right to put up financial security for the property, and have it ratified by the shareholders afterwards.

Sir HENRY DRAYTON: There is no question that it would be necessary to have it ratified by the shareholders. In the meantime, the president would be taking a chance. He is doing something he has no legal right to do at all.

Mr. GRAHAM: The only practical way to do it.

Mr. LEWIS: Reverting to the Paris incident, I would like to ask the minister whether the Canadian National Railway, in putting up this loan of \$2,000,000, is receiving any interest on the loan?

Mr. GRAHAM: Surely.

Mr. LEWIS: In what sense are they receiving interest on the loan?

Mr. GRAHAM: The money is in the bank, and the bank allows interest on any deposit.

Mr. LEWIS: With reference to subsection (e) of item 139, "construction and betterments," have the officials of the National Railways presented any programme with respect to branch lines at the present time? Has any