

ties: Provided that nothing in this section shall affect the powers or rights which any company in Canada had or possessed on the first day of February, one thousand nine hundred and four.

Here is a clause prohibiting the granting of the power which is given by section 22. The clause I have read has its sanction in section 376 of the general Railway Act which provides:

Every director of a railway company who knowingly permits the funds of any such company to be applied either directly or indirectly in the purchase of its own stock, or in the acquisition of any shares, bonds or other securities issued by any other railway company in Canada, or in the purchase or acquisition of any interest in any such stock, shares, bonds or other securities contrary to the provisions of this Act, shall incur a penalty of one thousand dollars for each such violation;

2. The acquisition of each share, bond or other security or interest as aforesaid shall be deemed a separate violation of this section.

Then it goes on to say how it shall be recoverable and how divided when recovered. On the contrary section 22 of the Act now before us provides that the Company may acquire any securities or make any advances. That is in absolute contradiction of the prohibitive clause 149, the sanction of which is found in clause 376. May I ask the reason for this?

Mr. MEIGHEN: The clause now under consideration is merely an adaptation, really a transcript, of section 19 of the old Canadian Northern Railway System Act of 1914, which read as follows:

No company now or hereafter comprised in the Canadian Northern system which is now or may hereafter be subject to the legislative authority of the Parliament of Canada may acquire shares in the capital stock of or securities issued by or make advances to or receive advances from any other company comprised in such system, and may take or give security for such advances.

The only addition here is enabling power to make advances on notes instead of on the regular securities. There really is no extension at all, but there seemed to be some legal doubt as to the power to use notes. It is simply a matter of internal financing of the Company.

Mr. BUREAU: May I ask what was the reason for making an exception of the Canadian Northern Railway, when the law strictly prohibits such transactions and makes any director who knowingly allows any such transaction to be made liable to a penalty of one thousand dollars, and the penalty is imposed for each share or security acquired?

[Mr. Bureau.]

Mr. MEIGHEN: The securities that can be used for the purpose of this borrowing are securities authorized by the subsidiary or constituent companies, not by the parent company; so it is merely a matter of internal financing of the Company, and we are taking no more power than we gave to the Canadian Northern itself under section 19 of the old Act.

Mr. BUREAU: But why make an exception of the Canadian Northern to the general law?

Mr. MEIGHEN: There was no exception made.

Mr. BUREAU: What about section 149 of the General Railway Act?

Mr. MEIGHEN: The section the hon. gentleman quoted forbids companies to acquire their own securities.

Mr. BUREAU: And other securities. It says:

No company shall employ any of its funds in the acquisition of any shares, bonds or other securities issued by any other railway company in Canada.

Mr. MEIGHEN: Nor can this company. All they are acquiring are the securities of their own constituent companies, not the stock issue of the company itself; they cannot take that. But for the purpose of borrowing they can take the securities already authorized to be issued and issued by their own subsidiary companies, which constitute their own body. That is very different from taking the securities of an outside corporation.

Mr. BUREAU: Legally it is another company.

Mr. MEIGHEN: Yes, but they are all united into one, and were so united in 1914.

Mr. BUREAU: Why is not the control of the Governor in Council exercised when these transactions take place? All the other clauses provide for the control of the Governor in Council. There must be a reason for making an exception in this clause.

Mr. MEIGHEN: The authority that authorized the original issue of the securities by the constituent company was a statutory authority and presumably edged around with sufficient safeguards. Let me repeat, this is merely a matter of the internal financing of the company. I beg to move that the further consideration of the clause be postponed.

Motion agreed to.