

out by the privy council in the case "In Re Refund of Dues under Timber Regulations," 1935, A.C. 184, was to substitute the province for the dominion as the authority responsible for carrying out contracts granted prior to the agreement.

What happened was this. At the time the transfer was effected, a clause was put in the agreement, clause 2, which was discussed at length by the committee. That clause was put there for a definite purpose, because the dominion government had definite contractual obligations to the lessees. The point was raised whether the royalties could be changed. The opinion was obtained that that was not a term of the contract and that they could be changed. I have not the time to dispute that point. It is a legal point and I would not put my judgment against that of the officials of the Department of Justice. But with respect to the other terms of the agreement and the general question I asked, if we pass this legislation we are removing completely the protection given under section 2 and permitting the province of Alberta to change the leases in any manner they see fit.

Mr. CRERAR: No.

Mr. BENICE: Yes. I put this to the minister. Let him ask the officials of the Department of Justice what is meant, and get an elaboration of the last paragraph of the letter I read, and he will find it is true under the provisions of the leases that the lessee has the right of renewal. The leases are for twenty-one years, and at the end of twenty-one years the lessee has the right of renewal of them, subject to certain stipulations with respect to compliance with the other terms of the lease. The dominion government, when it entered into the leases, agreed that it would give a renewal of them.

Mr. CRERAR: That is not affected by this.

Mr. BENICE: Yes.

Mr. CRERAR: No, it is not.

Mr. BENICE: I will read the provisions of section 2 of the agreement. It is certainly affected, because after this legislation is passed there will be no obligation on anyone's shoulders to comply with the terms of the lease. Let the minister examine the provisions of the case to which I have referred and he will see the very point discussed there. This matter had to go before the privy council of Great Britain because there was a complete novation of contract, and it was to place the province in the position of the dominion so that the province could carry out the lease. If at the end of twenty-one years the province decides it does not want to renew

it, the lessee has no claim under the provisions of any contract if the section is passed. Section 2 provided:

The province will carry out in accordance with the terms thereof every contract to purchase or lease any crown lands, mines or minerals and every other arrangement whereby any person has become entitled to any interest therein as against the crown, and further agrees not to affect or alter any term of any such contract to purchase, lease or other arrangement by legislation or otherwise, except either with the consent of all the parties thereto other than Canada or in so far as any legislation may apply generally to all similar agreements relating to lands, mines or minerals in the province or to interests therein, irrespective of who may be the parties thereto.

There was an amendment to that in 1938. I will not read it unless the minister so wishes. Now, this is the proposition. Under the provisions of this legislation, page 3 of the bill which was presented to us for first reading, it is provided:

1. Paragraph 2 of the said natural resources transfer agreement as amended by agreement dated the fifth day of March, A.D. 1938, and duly confirmed by the parliament of Canada and the legislature of the province is amended by adding at the end thereof the following words:

"Provided, however, that the provisions of this paragraph shall not apply to any contract to purchase or lease petroleum or natural gas or to any other arrangement whereby any person prior to the first day of October, one thousand nine hundred and thirty, had become entitled to any interest in such petroleum or natural gas as against the crown."

It goes on to set out certain stipulations with respect to the matter of rates of royalties, but generally speaking that paragraph goes to the whole root of the thing and destroys the effect of section 2, which gave protection to the lessee under the legislation which was put through in this parliament in 1930 and validated by the British privy council.

The Spooner case, referred to in the remarks made by the member for Calgary West (Mr. Edwards), showed that the matter was debated and the whole question was discussed from the point of view of whether or not there was a right to alter the terms of the agreement, and it was decided that there was no such right. I understand that the Department of Justice said with respect to royalties that it was no alteration of the term. I will accept that for the sake of argument. Nevertheless, with respect to all other terms of the agreement, with respect of the right of renewal, or any of the other terms—I have not a copy before me, but the member for Calgary West has—there is no protection to the lessee. The dominion government in 1930, when it transferred the resources, very wisely in my opinion decided to have that clause 2 put