

On section 54—By-law for reduction of share capital:

Mr. MEIGHEN: This is the section which enables a company to reduce its share capital. I understand the Justice Department gave an opinion that a company incorporated under our Companies Act had not power to reduce its share capital, and while there has been a not very strict application of that opinion in the working out of the law, it was thought well that companies should have that power, and should have it inserted in their charter. It has application to preference stock.

Mr. BENNETT: The Canada Northwest Land Act is the best example of that.

On section 54B—objections by creditors and settlement of list of objecting creditors:

Mr. A. K. MACLEAN: I know the department here favours the control of companies by the Department of the Secretary of State. Personally, I think the English system is preferable, and that the corporations should be practically under the control of the courts. When you come to secure a reduction of the capital of a company, it is clearly a case for the intervention of the courts, because you have a conflict between minority and majority interests. For instance, a company may wish to pay off some preference shares that are outstanding. Another lot of shareholders may say the company should not pay them off and that it would be better business policy for the company to continue paying dividends on the preferred shares, and keep the capital. At any rate, you are apt to have a conflict between minority and majority shareholders, and the creditors. The rights of creditors is the principal and important question involved in the reduction of capital.

Mr. R. B. BENNETT: Otherwise it is a domestic matter.

Mr. A. K. MACLEAN: And it is clearly a case for the courts. I am not going to press my objection to-night, because I should be very glad to see the Bill go through, as it will improve the Act very much; but, should I be in the next Parliament, I shall endeavour to make amendments to this Bill, especially in respect to the matter we are now considering. I prefer the intervention of the courts in most of these matters, and the majority of the provinces have followed the English Act in that respect, and for the sake of uniformity I should think it better for us to follow that Act. It is too far to come to Ottawa

from the extreme eastern and western provinces to secure some matter which might very easily be secured in the courts. I want to put myself on record as saying the Department of the Secretary of State, being a political department, is not the proper tribunal to determine a difference between majority and minority interests, or a matter which relates to the rights of creditors. I am not objecting to the administration of the department, I am speaking of the principle.

Mr. MEIGHEN: I quite understand that. I need not say I was in the department when the clause was framed, but the whole scheme of the Act seems to be to provide for the determination of these questions by the Secretary of State. Other questions just as important as this are being dealt with by him. Those who are acquainted with the working of the present Companies Act think this arrangement will be more expeditious. Perhaps, if I am Secretary of State next session, I will agree with the hon. member for Halifax.

Mr. A. K. MACLEAN: I do not blame companies for liking things as they were under the Companies Act, because it was not an Act at all, it was merely a pretense.

Mr. R. B. BENNETT: I certainly agree in the main with what has been said by the hon. member for Halifax as to the necessity of leaving the jurisdiction, if possible, with the courts, subject, of course, to filing the order with the Secretary of State. I do not think it can be regarded as sound to vest in an official here powers of the character indicated in the sections under consideration, and which, in England, have not infrequently engaged the attention of the court of appeal.

Mr. A. K. MACLEAN: It is like a winding-up procedure to some extent.

Mr. R. B. BENNETT: To some extent, of course.

Mr. A. K. MACLEAN: And that is under the courts.

Mr. R. B. BENNETT: But in view of the lateness of the session, and the desirability, if we are going to get the Act through, of attempting to amend it, I am not going to do more than express an opinion, feeling at the same time that the Secretary of State is quite right in endeavouring to maintain in his office a complete record of all the companies that have federal incorporation, and to be enabled, if pos-