

Hon. Mr. HUGESSEN: And you feel that this provision would prevent an officer or employee of the parent company who happens to be an officer and employee of the subsidiary from voting for the trustee?

Mr. MERRIAM: No. My point is that I want this to cover this situation,—that an officer or employer of the parent company will not be allowed to vote.

Hon. Mr. HAIG: The parent company will not be allowed to vote at all.

Hon. Mr. CAMPBELL: Surely it should only apply where the bankrupt is a wholly-owned subsidiary.

Hon. Mr. HAIG: There are a lot of companies where the controllers own about 60 per cent; that is all they own; and since succession duties are so heavy, the tendency in all business is that the larger companies have a large outside stockholding, so that when a very heavy stockholder in the company dies, there is a place to sell some of his stock.

Mr. MERRIAM: Yes; that is more and more the case all the time.

Hon. Mr. HAIG: I would be afraid that this would deny these people representation at all.

Hon. Mr. CAMPBELL: And what about your preference shareholders, who are really interested in the problem as much as the common shareholders?

Hon. Mr. HAIG: More so.

Mr. MERRIAM: They are only interested in the actual assets of the company in which they happen to be preferred shareholders. I grant you that on the books of the company this debt will be carried as a credit, probably; but it seemed to us that, in the same way that the directors of a company control that company, and therefore are precluded from voting in the appointment of a trustee, if you swing over to the case of the parent company which in exactly the same fashion controls the subsidiary, the same principle should apply.

Hon. Mr. EULER: Would you say that if a parent company owns practically all the stock in the subsidiary company that becomes bankrupt, that parent company should have nothing whatever to say as to the appointment of a trustee?

Mr. MERRIAM: That is my submission, sir, yes; on the same basis that the actual directors of that company have nothing to say in the appointment of the trustee.

Hon. Mr. EULER: That does not seem right.

Hon. Mr. HAIG: And it is worse when it only owns 55 per cent of it.

Hon. Mr. EULER: They ought to have something to say, when they control the company altogether. I cannot see why these people who are most concerned in the bankrupt company's affairs should be entirely deprived of the right to say who shall be the trustee. It does not look equitable to me.

Hon. Mr. HAIG: I can see the case where maybe half a dozen outside debtors could control the whole thing.

Mr. MERRIAM: Yes.

Hon. Mr. EULER: Sure they could.

Hon. Mr. HAIG: And the real big money in the concern would be unrepresented, under your provision. As the matter stands in the original bill, the directors of the defunct company cannot do it. I can understand them not voting, because they are the rascals that broke it up.

Mr. MERRIAM: Does not that apply to wholly-owned subsidiaries, where the directors of the parent company are the ones who actually conducted the transactions of the subsidiary company, so that in effect they have wrecked it themselves?

The CHAIRMAN: Would you not like to cut out the words "rascal" and "wrecked"?