

might be offered to the Canadian National Railway; the Canadian National Railway has to come to the minister and say: Will you provide us with the money to subscribe for this stock? And the minister on behalf of the government might say no. Whereupon the treasury shares could be issued to any group or corporation as this temporary board of directors saw fit.

Then I come to section 11. The leader of the opposition dealt with the question of book value, including franchise, and there was a vehement shaking of heads from some of the ministers interested in the promotion of the bill. I submit that the statement of the leader of the opposition was absolutely correct. Let us, for example, go back to the days when electric railway franchises were valuable. Why did not the city of Toronto expropriate the street railway years before it did? Because it did not want to pay the value of the franchise of the company carried on the company's books. Why did not the city of Brantford expropriate before it did? Why did not dozens of municipalities expropriate private corporations operating electric railways? Because they desired to wait until the franchise expired, so that they would not have to pay the value of the unexpired term of that franchise.

I trust that what I have to say now will not be construed as any aspersion on the present minister or anyone connected with him. I merely point out the loopholes which are left in the bill. Let us assume that the Canadian National Railway, because the government does not see fit to supply it with the money, does not exercise its option to purchase these shares, and that the shares of this corporation fall into the hands of other corporations or private individuals; and they after the selection of a board of directors obtain an appraisal of that franchise by duly qualified engineers and appraisers and write that appraised value on their books as an asset. Surely it would not be contended, at least by the Minister of Justice, that the value of that franchise, written into the books of the company, fixed on the basis of an appraisal, should not be included in the book value if the minister at some subsequent date thought it desirable to acquire all the shares of the corporation. I am inclined to the view that if that occurred, if there was disagreement and the matter went to the exchequer court, the court would hold that the franchise had a value proportioned to its unexpired term, and that value would have to be paid for.

Another section to which I wish to call attention is section 16, dealing with rates. I observe that the minister has power to fix rates. I confess that from reading the section

[Mr. Lawson.]

I could not come to a conclusion whether it was the rates to be paid by passengers and persons who desired to use the air transport or rates in respect of the trans-Canada contract which is defined in a previous section. In any event subsection 2 of section 16 provides that in case of deficit there shall be an increase in rates. To that I have no objection, but subsection 3 provides that as soon as there is a surplus there is to be a decrease in rates. I have no objection to a decrease in rates if there is a surplus, but I do object to arbitrarily fixing, by statute, the decrease which must take place as soon as there is a surplus. Surely if business in general learned one lesson from the depression of the last few years, it learned the wisdom of setting aside a reserve in the days of plenty and of surpluses to meet deficits and losses in bad times. So I suggest to the minister that serious consideration should be given to the question of arbitrarily, by statute, requiring a reduction in rates. If you are going to have a board of directors capable of exercising sound, reasonable business judgment, I think it might at least be left to their discretion whether or not there should be a recommendation, say, for a reduction of rates having regard to the previous service.

Having dealt with a few sections specifically, Mr. Speaker, I do urge this thought upon the minister and the government with regard to the whole plan. This scheme leaves in the hands of one man, whoever may be the incumbent of the office of Minister of Transport at any particular time, a vast discretion. It leaves in his hands power to embark upon the expenditure of a huge amount of public money at some future date for the acquisition of something we now have. Worse than that, in my view, it leaves in his hands the power to make a deal, while this parliament is not sitting, to acquire at a huge price based on book values—and book values can tell many stories—an enterprise we now have and which costs us nothing. And all that can be done without the sanction of this parliament, and without parliament having one word to say about it until it is all over.

The closest analogy I can think of at the moment—and believe me I do not mention this because of political partisanship—is the approval that was given to the diversion of a huge amount of water from the St. Lawrence in connection with the Beauharnois development. There power was vested in the Minister of Public Works, and without parliament having an opportunity of saying yea or nay or of expressing its views in any manner, a huge quantity of water was diverted. I am not suggesting that this was beyond the

statutory powers of the then Minister of Public Works, but the water was diverted. It does seem to me that we should not make it possible for such a large amount of the money of the taxpayers of this country to be diverted or used or expended at the discretion of one man, admirable though he might be, without this parliament being able to say yea or nay or having an opportunity to discuss the proposal in detail.

Hon. C. D. HOWE (Minister of Transport): Mr. Speaker, this bill contemplates a type of air transportation that is practically new in Canada to-day. It contemplates a service between centres of population, a service that must run on schedule and must have a very high efficiency if it is to be depended upon for the efficient transportation of mail. While we have in Canada a very highly developed aviation service it is not by any means similar to the service contemplated by this bill. At the present time we have a service into remote districts, operating on floats in summer and on skis in winter, and depending upon natural waterways for landing places. In serving urban centres, of course, a much more highly developed service is necessary.

Some three or four years ago the work of constructing proper landing fields was undertaken, and up to the present some \$7,000,000 has been expended in that way. That work is well advanced towards completion. This service, of course, involves operation on wheels for twelve months of the year. To make such a service reliable a very elaborate weather reporting system is necessary. Weather reports must be available to the pilot at almost any moment during his flight, which involves a high degree of development. The pilot must fly by night as well as by day, in fog and storm as well as in clear weather. For that reason a radio beam must be provided between landing points which will keep the pilot on his course whether or not he has any visible contact with the ground.

All these things are new in Canada, but during the last ten years they have been developed to a very high state of efficiency on this continent. It has been an expensive development, as the history of the industry will show. The companies that have started in this service and have disappeared would number a score or more. Our task in Canada is to set up this service without all the lost motion that has been expended during the past ten years. We cannot afford to spend ten years in bringing ourselves up to present day efficiency. We must start where our competitors are to-day and we must develop an organization in this country as rapidly as possible.

This is a very difficult problem, and before coming to a final conclusion I think I exhausted all available sources of information. I have ridden in every type of equipment used on the mail routes in the United States; I have discussed the problem with the heads of all the successful trans-American companies; I have had the privilege of discussing the problem with the general manager of Imperial Airways and with officers of the British air ministry, and I have read every report in this connection that I have been able to lay my hands on. As a result of all this I have come to certain conclusions. The discussion we have had in the house to-night, all of which I know has been very friendly and offered in an earnest desire to bring about the best possible result, has brought out at least four different views as to how this work should be undertaken. After listening to the discussion I am convinced that this bill offers the most practical solution that can be suggested. I believe we have safeguarded ourselves at every point.

The first suggestion was that we should turn this line over to one of the private air companies. The question which immediately suggests itself is, which company? Well, perhaps there is one company that by its experience and standing in the industry would have a right to be chosen over other companies, but to-day that company is engaged in extensive services quite foreign to the services we are going to develop here. I have not been able to decide how we could ask that company to separate this trans-Canada service in an effective way from the services operated by the same corporation in the north.

We go back to the experience of other countries. England, I believe, has had the least trouble in the development of aviation. What was done there? In England a new company was formed, under government auspices, headed by the best business brains in the country. I believe Sir Eric Geddes is the present head, and if my memory serves me correctly he was the first head of the company, and was taken from a high government post for the work. The company was privately financed, except for about 25 per cent, which the government retained. The British government has two directors on the board, the other directors representing the private capital invested. On the other hand, I have in my hand the report of the committee which considered the development of civil aviation within the United Kingdom, and that committee reports that for the development of services across England the cooperation of the railways should be