

Mr. BENNETT: It certainly is very poorly done.

Mr. CAHAN: That would not complete the transaction.

Mr. BENNETT: No, the capital still stands at \$100,000,000. It really requires a combination of this provision and another reducing the capital stock to \$18,000,000; otherwise you will have the anomaly of the minister surrendering stock for cancellation and the capital stock still remaining on the statute books at \$100,000,000. In corporate practice, the power to cancel is never exercised in that way; it is done by reducing the capital by appropriate proceedings.

Mr. HOWE: If I am not mistaken the Canadian Northern company disappears from the consolidated balance sheet as a corporate entity in this bill, and I think this is only preserving the value—that is the true value of the stock—it is the device adopted for preserving the value of the stock according to the report of the arbitration.

Mr. CAHAN: But does the minister intend after the enactment of this clause that the appropriate proceedings shall be taken under the railway act to reduce the capital stock of the company?

Mr. HOWE: Quite.

Mr. CAHAN: Is this merely an ancillary or preliminary provision, or is it intended by this provision to deal with the matter of surrender as well as the matter of the reduction of capital? That is the point raised by the leader of the opposition.

Mr. BOTHWELL: If we understood this matter in the committee, this is simply a direction to the Minister of Finance to surrender stock held by him. What happens to that stock afterwards will depend upon subsequent sections of the bill.

Mr. BENNETT: Look at the next section. Section 5 covers it.

Mr. BOTHWELL: It is simply a direction to the Minister of Finance.

Mr. BENNETT: It does not stop at that. If it did, there might be some point to the observation of the hon. member for Swift Current (Mr. Bothwell). This places in the hands of the minister this \$80,000,000 odd of stock and says, "for cancellation," and the next section provides that the \$18,000,000 shall be exchanged for stock of no par value. So that the corporate structure of the enterprise is entirely changed. The Canadian Northern system came into being by statute of this parliament, and that statute is now being

altered. It is upon the statute that we depend for the consolidation of the Canadian Northern system, and the capital was fixed at \$100,000,000. That \$100,000,000 is in the hands of the Minister of Finance. It is now provided that \$82,000,000 odd shall be handed over to the Minister of Finance for cancellation —

Mr. BOTHWELL: If I may interrupt, not handed to the Minister of Finance, but surrendered by him.

Mr. BENNETT: Yes, surrendered by him for cancellation. How can the company cancel stock when the whole corporate life depends on that statute? We are dealing with the Canadian Northern system, a system of consolidated roads, I think some one hundred odd railway systems, small and large. With that system dependent for its corporate existence on a statute of the parliament of Canada, we now say to the minister: You will surrender to that railway company its own capital stock for cancellation. Surely that is not an adequate expression of what is intended. It would be regarded in most places, I think, as a very singular thing if we did that. Of course it is not for me to do more than point it out; the government has a majority.

Mr. HOWE: It seems to me that there will be, as the hon. member for St. Lawrence-St. George (Mr. Cahan) suggested, an ancillary action by the railway company itself to deal with the Canadian Northern Railway Company under the railway act. That is, that company may disappear later; it does not disappear through this bill but it does disappear from the consolidated balance sheet of the Canadian National Railways.

Some hon. MEMBERS: Carried.

The CHAIRMAN: Shall clause 4 carry?

Mr. BENNETT: No. I protest against it; that is all I can do. I cannot bring myself to support that.

Section agreed to on division.

On section 5—C.N.R. and Canadian Northern exchange of stock.

Mr. BENNETT: Clause 5 is open to more serious objection still. The minister is authorized to transfer to the Canadian National Railway Company the 180,000 shares he has. That is understandable. But what we are going to do is to amend the statute that created this enterprise, the Canadian Northern system, and make these shares of no par value. We are not purporting to amend the statute as we should be doing, but are