

Government as being of national importance. It is not the intention to interfere with any existing operations. The company will not undertake interurban services of any kind. It will be given an exclusive contract to carry mails, passengers and express over the specified routes. In the initial stages of the company, in addition to its having an air mail contract at a rate competitive with similar services on this continent, its deficits will be paid by the Government for two years, during which period we anticipate the personnel will be perfected, and at the end of that time it can reasonably be expected that an efficient service will be in operation. Subsequently the company will receive an air mail contract the basis of which will be determined by the operations of the previous year. The set-up is such that the company will be protected against loss, but its profits will be very strictly limited. In other words, it is organized to perform a certain national service, and it is expected that that service will be performed at or near cost.

As honourable members know, this Government is obligated to share in the proposed service now being organized between England, Ireland, and Canada to cross the north Atlantic. In that connection we have undertaken to be prepared to fly the mails across Canada, connecting with their flight across the Atlantic. For that reason it is urgent to form this company and get the organization under way, and obtain the necessary equipment to undertake the service.

It is estimated that the capital required to purchase the equipment necessary to perform the service in Canada is about \$1,750,000. In addition, about \$1,250,000 is required as part of Canada's capital for the transatlantic service. The balance of \$2,000,000 is provided to be called upon as required for the expansion of the services as national needs may indicate. The cost of operation of the service—the coast to coast service—is estimated at about \$1,000,000 a year.

This will represent the total operating cost. It is thought that from the start the mail contract and such passenger and express business as is immediately available should cover the cost of the service. We have made provision, however, for a subsidy to protect the service in that period. After 1940, as I have said, the subsidy provision expires, and the mail contract will be on the basis of cost of the service. I think that outlines fairly well the intention of the Bill. The whole matter can be more fully considered when the Bill is before the Railway Committee.

Hon. Mr. DANDURAND.

Hon. C. C. BALLANTYNE: I do not know a great deal about this Bill. When it was before the other House objection was taken to the Government not retaining control of the company. It appears that \$5,000,000 capital is necessary. It was first intended that the service should be operated and controlled by the Canadian National Railways. I understand that the honourable Minister has since made a change in the Bill, and that control is now vested in the Government. In other words, the Government will hold fifty-one per cent of the stock. Can the honourable leader state whether that is correct?

Hon. Mr. DANDURAND: Section 7 of the Bill provides:

7. (1) The authorized capital of the corporation shall be five million dollars divided into shares of one hundred dollars each, represented by share certificates.

(2) The shares of the capital stock of the corporation shall be offered for subscription to the Canadian National Railway Company at par.

(3) The Canadian National Railway Company is hereby authorized to subscribe for, underwrite, purchase, hold, and, subject to the provisions of this Act, sell and dispose of the shares of the capital stock of the corporation.

Provided however that the Canadian National Railway Company shall not sell or dispose of more than twenty-four thousand nine hundred shares except with the approval of Parliament.

The Canadian National Railway Company would retain control.

Hon. Mr. BALLANTYNE: I think my honourable friend will find that the honourable Minister of Transport met the view of the right honourable leader of the Opposition in the other House that the Government should control the company. That is my information.

Hon. Mr. DANDURAND: I am reading from the Bill itself.

Hon. Mr. BALLANTYNE: The Bill was amended.

Hon. Mr. DANDURAND: I am quoting from the Bill as passed by the House of Commons.

Hon. Mr. MURDOCK: Subsection 3 of section 7 surely gives Parliament absolute control.

Hon. Mr. COTE: What is the object in having private interests participate in this Government-owned company?

Hon. Mr. BALLANTYNE: Probably section 7 does cover my question, but I notice from the debates in the other House that, as introduced, the Bill did not give the Government control. If some of the legal gentlemen in this