

Mr. HOWE: That is necessarily so, as in the event of there being a loss in the next two years there is no provision that it can be recovered at a later period.

Mr. HEAPS: That means that if after three or four years there is a deficit in the operations of this company, the companies which have invested to the extent of forty-nine per cent of the stock will be guaranteed five per cent on the amount they have invested. Either that, or the cost of air mail transportation will be increased to meet the deficit.

Mr. BENNETT: The government does not pay the five per cent. What the government does is to provide that operating expenses shall include five per cent return on the capital investment, and the deficit would be the difference between the operating expenses and the gross revenue.

Subsection 1 agreed to.

On subsection 2—Director British subject resident of Canada.

Mr. MACKENZIE (Vancouver): The suggestion of the leader of the opposition would be met, I think, by moving this amendment, which I now do:

To delete all the words after the word "subject" on line 40 and substitute the following, "who has been resident in Canada for not less than five years preceding the passing of this act."

Is that satisfactory?

Mr. BENNETT: Anything is satisfactory that removes the uncertainty about "ordinary residence."

Mr. HOWE: I suggest that twenty years from now that would mean that he must have been resident in Canada for twenty-five years. Should it not be, before the date of his appointment?

Mr. BENNETT: I was not following the details of it.

Mr. HOWE: "Before the date of his election or appointment."

The CHAIRMAN: The amendment is:

To delete all the words after the word "subject" on line 40 and substitute the following, "who has been resident in Canada for not less than five years preceding the date of his election or appointment."

Amendment agreed to.

Subsection as amended agreed to.

[Mr. Heaps.]

On section 6, subsection 3—Election and appointment of directors.

Mr. YOUNG: I was going to ask the minister why the six directors should be elected by the shareholders. Provision is made for at least fifty-one per cent of the stock being owned by the Canadian National Railway. We appoint the directors of that railway—after all, it is government-owned—and I wonder whether it would not be in the best interests of the transport corporation if the directors were named by the government rather than by the shareholders.

Mr. HOWE: We are too prone to say that because we own the Canadian National Railway we operate it. That is not true.

Mr. BENNETT: There are striking evidences of it.

Mr. HOWE: We placed a body of business men in charge of the railway and we expect them to operate it. The Prime Minister is apt to say that the Minister of Transport runs it.

Mr. BENNETT: He should know.

Mr. HOWE: As a matter of fact, if I run it, it gets very little attention.

Mr. BENNETT: There is a good deal of force in what was said by the hon. member for Saskatoon (Mr. Young). It will be remembered that when this bill was drafted it did not provide for fifty-one per cent being owned by the Canadian National Railways.

Mr. HOWE: That was always the intention; the unexpressed intention.

Mr. BENNETT: It is these unexpressed intentions which give rise to the view that the Canadian National Railway is being run by the government. But the expressed intention of the government now is that fifty-one per cent should be owned by the Canadian National Railway. That was not so when the bill was given its second reading. It strikes me that if we are now put in that position, the reverse of that position might not be unsound, and that the six directors should be appointed by the governor in council.

Subsection agreed to.

Section as amended agreed to.

On section 7—Capital shares.

Subsection 1 agreed to.

On subsection 2—Shares offered to C.N.R. and others.

Mr. HOWE: I will ask my colleague to move an amendment to subsection 2.