

MAY 17, 1932.

The Select Standing Committee on Railways and Shipping met at 11 o'clock. Mr. Hanson presiding.

The CHAIRMAN: Sir Henry, in discussion with Mr. Smart some days ago with respect to expenditures by the railways, and especially the control of expenditures, he told me that special machinery had been set up, and following the conversation he wrote me a letter, dated May 14, 1932, which reads as follows:—

You will recall my speaking to you some days ago about the special machinery that has been set up for the control of expenditures on the Canadian National Railways.

I attach copy of P.C. 1398, dated June 17, 1931, putting into effect By-law No. 18 of the Canadian National Railways, together with a short memorandum which outlines the general information required by the Finance Committee and which is provided by the Secretary of the Finance Committee, who is Director of Statistics of the railway company, and maintains a constant contact with the progress of the A.F.E.'s. For your information A.F.E. means "Authority for Expenditure."

It might be well that your committee be informed of this machinery.

Now, the enclosure included, first of all, a copy of the By-law No. 18 which was enacted on the 2nd of June, 1931, establishing a Finance Committee. Section 1 of the By-law set up a committee consisting of the president of the company, the director holding the position of Deputy Minister of Railways and Canals, and the director holding the position of vice-president in charge of legal affairs of the company. Section 2 of the By-law gives the jurisdiction of the committee, namely:—

The Finance Committee shall, notwithstanding anything in any By-law to the contrary, have supervision and control over all matters relative to the capital requirements of the company and in particular in respect of the provision of the moneys therefor and the allocation of such moneys.

Sections 2, 3, 4, 5, 6 and 7 relate only to procedure under that By-law; and section 8 requires the approval of the Governor in Council.

The order in council passed on 17th day of June, 1931, P.C. 1398, ratifies in express terms By-law 18. Now, the particular point which I wish to draw to your attention, Sir Henry, and which the Committee thought we should have some expression of opinion upon, resulting from the discussion which arose thereon is that this By-law only refers and only relates to capital requirements of the company, and in particular to the raising of the money and the allocation of the money. What we would like to know is: I understood from Mr. Smart, and I so informed the Committee that this Finance Committee had control not only of capital requirements of the company, the provision for raising the money and the allocating of the money, but it also had control over expenditures other than those of a capital nature within certain limitations; and the suggestion has been made here that inasmuch as the By-law does not cover anything but capital requirements, it should be amended so as to cover