

Mr. DUFF: No, they agree, and that is why there is a combine.

Mr. MANION: At any rate, according to my interpretation of the clause, which as I say is only the interpretation that competent lawyers have put upon it, this whole contract is made to take care of Sir William Petersen and not to protect the interests of the country at large. A few weeks ago I read a quotation from one of the English newspapers in which Sir William Petersen was represented as having advised his shareholders not to sell stock. "If you wish to sell any stock," he is reported to have said, "sell it to me; I will buy it from you." That was quoted from the English newspapers, and this was before the contract had been laid before parliament. It is no wonder, then, that he takes that attitude, for the contract is all in his favour.

Now, I will consider the contract from the financial point of view. The cost of these ships is admitted to be about six million dollars, that is to say, some six hundred thousand dollars each.

Mr. MARTELL: I presume that the hon. member has read subsection (c) of section one. That paragraph provides that the service shall begin with ten ships, and towards the end it states:

The said service to commence with at least six ships not later than June 15, 1925.

Now, I do not want to oppose my knowledge of law to that of eminent lawyers who have considered this contract. But where the minimum is prescribed as six, how can you fix a maximum higher than ten, when the contract provides that the number of ships shall not be less "than ten?"

Mr. MANION: But there is a subsequent clause which provides that by mutual agreement the number may be increased above ten.

Mr. MARTELL: I do not know that anyone is objecting particularly to that. Speaking as a private member, I should say that no one would take any exception to such a provision, for if the scheme is to be effective there should be some leeway. But under subsection (c) of section one it would seem that a minimum of six is provided, and the maximum is laid down at ten.

Mr. MEIGHEN: The hon. member will see at a glance that it is a maximum which is compulsory on Sir William Petersen; that is all that he is obliged to provide. But the clause quoted by the hon. member (Mr. Manion) shows that if Sir William Petersen

provides more ships he must be paid accordingly.

Mr. DUFF: The maximum is ten.

Mr. MANION: Hon. gentlemen may interpret the contract for themselves just as they please. I have given the interpretation of three lawyers, and that interpretation appeals to me as reasonable. To proceed with the financial aspect of the matter. It is admitted that if these ten ships are built they will cost some six million dollars, and the subsidy is to be \$1,350,000, which amounts to about twenty-two per cent per annum on the total. Now, if Sir William Petersen runs these ships so as barely to clear his expenses he can use ten per cent of that twenty-two per cent to pay off a sinking fund and interest on his loan and he can take the other twelve per cent for himself. This would be a pretty fair return for Sir William Petersen. Let me put it in another way. Let me take the same figures again, \$6,000,000 as the cost of the ships. Supposing Sir William Petersen borrows this money and wishes to pay it back at the rate of 10 per cent per annum. That would mean that he would pay back \$600,000 of principal each year for ten years. As this money would be advanced on a government guarantee, he would get it at 5 per cent interest, and his interest on \$6,000,000 would be \$300,000. That means that he would have to pay \$900,000 out of his \$1,350,000 in the first year. If he can, in the first year, run his ships without loss, just with them paying their way, without any profit—and it must be remembered that he is going to be provided with cargoes because the government naturally is going to help him to get cargoes through the Canadian National railways—Sir William Petersen will have \$450,000 profit in his first year. The second year he will have a profit of \$480,000—I am giving round figures because I do not wish to get down to exact figures—for the reason that in the first year he will have paid off 10 per cent, or \$600,000 on the principal, and, therefore, will have \$30,000 less interest to pay. The next year he will have another \$30,000 less interest to pay and so on. At the end of ten years Sir William Petersen would own the ten ships. He would have paid off the 100 per cent at the rate of 10 per cent per annum. He would have paid off his interest and sinking fund completely and he would also have a profit of from six to seven million dollars.

An hon. MEMBER: Plus the ships.

Mr. MANION: Yes, plus the ships. That is provided that he just carried himself along.