

interpreted as meaning Trans-Canada Air Lines. Therefore, it means the corporation created by this statute. Surely we cannot get beyond that. "Gross revenue" means the total revenue earned by Trans-Canada Air Lines.

Mr. HOWE: No.

Mr. MACKENZIE (Vancouver): Correct; Trans-Canada Air Lines.

Mr. BENNETT: That is the name of the company. It says "earned by the corporation."

Mr. HOWE: From the operation.

Mr. BENNETT: From the operation of the Trans-Canada Air Lines. Section 14 states:

The governor in council may authorize the minister to enter into a contract with the corporation (to be known as the trans-Canada contract) for the organization, operation and maintenance by the corporation of lines of aircraft (to be known as the trans-Canada lines) for the speedy and efficient transport across Canada and between and within the several provinces of passengers and goods.

That is clear, is it not?

Mr. HOWE: Yes.

Mr. BENNETT: Section 14 provides for the operation under this contract. Surely all the revenue derived by this corporation through the carrying out of that contract is to be part of its revenue.

Mr. HOWE: Yes, but it is contemplated that this corporation may undertake work outside of the contract.

Mr. BENNETT: They may carry passengers, but the earnings would constitute part of their gross earnings.

Mr. HOWE: They may undertake services outside of the contract.

Mr. BENNETT: I am not going to worry any more about it.

Paragraph (f) agreed to.

Paragraphs (g) and (h) agreed to.

On paragraph (i)—Operating expenses.

Mr. GREEN: Is it the intention of the government to guarantee that this company shall make five per cent on the capital invested?

Mr. HOWE: That is correct.

Paragraph (i) agreed to.

Paragraphs (j), (k), (l), (m) and (n) agreed to.

Section agreed to.

Sections 3 to 5 inclusive agreed to.

On section 6, subsection 1.—Board of Directors.

Mr. BENNETT: This is an extraordinary provision. The directors do not have to be shareholders in the enterprise, neither do they have to have permanent residence in this country. All they have to be is British subjects ordinarily resident in Canada. Having regard to the interpretation by the Department of Justice of what constitutes an ordinary resident of Canada as applied to taxation, we have no assurance of the directors of the company having a fixed residence in this country. Why should we not say that they shall be British subjects resident in Canada for a period of not less than blank years?

Mr. MACKENZIE (Vancouver): There would be no objection to that.

Mr. BENNETT: Otherwise we will have a situation which the hon. member knows occurred in one case.

Mr. MacKINNON (Edmonton West): This subsection states that the corporation shall be under the management of a board of directors composed of nine persons. Is there any significance to the number of directors? Is there to be a director appointed from each province?

Mr. HOWE: No.

Mr. MacKINNON (Edmonton West): Would the minister explain this subsection?

Mr. HOWE: We expect to appoint as directors men whom we think are best qualified to direct an aviation enterprise.

Mr. HEAPS: Do I understand the minister to say that the investment in the company is to be guaranteed by the government to the extent of five per cent?

Mr. HOWE: The rates for air mail after the initial period will be adjusted to cover the operating expenses and provide a return of five per cent on the capital. I may say that the profits are also limited to very much the same amount. The feeling is that in the long run the cheapest way is to pay the cost of the service, and this bill is designed to that end. There is a very slight margin of profit provided for in case the operation improves from year to year, but the general plan is that to begin with we shall pay the cost of the service.

Mr. HEAPS: Assuming that after three years there is an operating deficit, will the government still pay five per cent on the capital invested?