

Bonus Bond Draw

So I submit that lottery bonds cannot be justified from the standpoint of meeting the requirements of government. In fact, I think it can be argued that there could be negative effects for government debt management if lottery bonds were issued. For one thing, lottery bonds could cut into the market for Canada Savings Bonds. This point was made as well by the Hon. Member for Lambton-Middlesex, and it is well taken. The market for both would be much the same, that is, those Canadians with modest amounts of savings. However, a large proportion of savings bond investors buy these bonds primarily for income purposes. Many of these investors are retired or approaching retirement and want the highest possible income from their investment. It is not likely that this part of the market would be attracted to purchasing lottery bonds. If it were, however, I submit that the results would be pretty undesirable from a social policy point of view.

Lottery bonds raise other difficulties for government debt management. There are inherent problems in mixing the concepts of a lottery and a bond. Not all Canadians are skilled and sophisticated when it comes to their investments. We saw this a few years ago in the widespread misunderstandings and confusions which surrounded the question of the perpetual bonds which the Government of Canada had issued in the 1930s. People misunderstood the nature of that bond issue, and a number of investors were disappointed. One feature of lottery bonds is that they do not usually carry a maturity date. That fact alone could create problems of misunderstanding. And I am sure that many Canadians would be confused as to the differences between lottery bonds and savings bonds. So I believe there are some potential problems in a lottery that masquerades as an investment. For a good many reasons, it would be best not to mix the two.

I would like to speak for a moment, Mr. Speaker, about the social issues. I suggested at the outset of my remarks that some people have viewed lottery bonds as a useful outlet to satisfy the public's gambling impulse, apparently a very strong impulse. That might have been a valid argument not many years ago before the proliferation of official lottery schemes across Canada. However, I do not think it can be claimed that there is any shortage of opportunities for Canadians to give expression to their urge to get rich quick in a big lottery killing. It is also fair to say that there are no shortages of ways in which Canadians can save and invest their moneys today. Banks, trust companies, credit unions and other financial institutions are competing for the public savings. One of the primary social objectives of Canada Savings Bonds has been to encourage Canadians with modest means to establish good savings habits. That is probably one of the important factors behind the very high savings rate which we have experienced in Canada. Lottery bonds would encourage Canadians to speculate rather than to save.

For Canadians who put their savings into lottery bonds, the vast majority could suffer a significant decline in the real value of their savings and little, if any, flow of income. Lotteries provide big wins to only a handful of hopeful purchasers. This may not be too serious if it were a question of lottery tickets of

only a few dollars. However, it could be a grave social problem if it were a matter of \$100, \$500 or \$1,000 bonds. The cost in social terms could be severe unless there were a relatively low limit on the total amount of savings which an individual could invest in lottery bonds.

• (1650)

It is sometimes suggested that the experience of the premium savings bond scheme in Britain could be duplicated in Canada. However, I do not think the two situations are similar. In Britain there is only one national lottery scheme, the premium savings bond plan, although there are a number of sports pools which involve relatively small wagers. Here in Canada there are a number of national and provincial lottery plans which attract substantial amounts of funds from large numbers of Canadians. It is likely that a lottery bond scheme in Canada would meet much stiffer competition than does the British plan.

There are some practical problems as well in administering a lottery bond scheme. It would mean setting up a special bureaucracy to handle these bonds. They would be so different from normal government bonds that I do not think the Bank of Canada administration would be appropriate.

There are marketing questions as well. It is one thing for your corner tobacco shop to handle \$2 or \$5 lottery tickets. It is quite another matter to contemplate that shop handling bond sales of \$100, \$500, \$1,000 or more. I have doubts whether banks and other financial institutions would want to serve as marketing outlets for this kind of product which would be competing directly with their savings accounts.

The idea of earmarking the funds raised through lottery bond sales for some particular field of government expenditure raises some concerns. This approach implies that the level of expenditures in this chosen field is determined, not by the relative priority or importance of the government service which receives the lottery money, but rather by the element of chance, how successful the lottery sales might be.

The Hon. Member for Winnipeg-Assiniboine, in the earlier version of his resolution which appeared on the Order Paper, suggested using lottery funds for such purposes as increasing federal transfers to the provinces for established programs financing, or other designated federal-provincial programs. I suggest that these programs are of such an important nature that their funding should not rest on the uncertain base of lottery plan funding. I appreciate that this earlier resolution spoke of the Department of Finance being responsible for setting priorities for allocating funds from the lottery bonds. That is precisely the Department's role when it comes to government expenditures out of the Consolidated Revenue Fund.

I recognize that there has been a tendency to earmark funds from other lotteries for particular areas such as sports, cultural development and the like. I do not think it is wise to extend this practice more broadly into such important areas as federal-provincial financing of medical, hospital or educational services.