

Interim Supply

Many of the municipalities cannot borrow money and those that can pay between 5½ and 6 per cent in interest. We are reaching the point where the Minister of Finance will have to pay nearly as much for his money as do some of our towns and villages.

The last federal bonds that were sold had attached income tax gimmicks to which reference was made by the hon. member for Kenora-Rainy River. He referred to the last issue of 2¾ per cent bonds selling at a discount of \$97.90 and yielding 4.76 per cent. These bonds will go up roughly \$21 per thousand and that amount will be tax free. Suppose the dominion government sold bonds at 97, a discount of \$3, with interest at 3 per cent. On the appreciation amounting to \$30 there would be no income tax while there would be income tax on the \$30 representing interest. Therefore a big corporation paying a 50 per cent income tax rate would pay tax of \$15 out of income amounting to \$60 and have \$45 left.

Mr. Fleming (Eglinton): May I ask my hon. friend a question? Does he suggest it is something new in the experience of federal government financing that bonds should be issued to sell at prices less than par? May I ask him if he is aware of these instances on the part of the previous government? Here are just a few I have picked out at random since the hon. member for Kenora-Rainy River spoke this afternoon. I will give the date of issue now so that my hon. friend can identify them.

Mr. McMillan: Tell me the length of term.

Mr. Fleming (Eglinton): Here are the examples: July 1, 1938, a 3¼ per cent bond put on the market by the former government at 98.5; June 15, 1950, a 2¾ per cent bond put on the market at 99.5.

Mr. Pearson: What term?

Mr. Fleming (Eglinton): The term does not matter for this purpose.

Mr. McMillan: The term does matter.

Mr. Fleming (Eglinton): I can give my friend that, if he needs the information, but I am now giving the date of issue and the fact of a discount on the price at the time of issue. The third instance was June 1, 1954, a 3¼ per cent bond put out at 99; January 15, 1953, a 3¾ per cent bond issued by the former government at a price of not less than 97 to the Bank of Canada; September 15, 1956, a 3¾ per cent bond issued at 97. May I also remind the hon. member that the former government put out an issue of perpetuals on September 15, 1936 at a price on the market of 96.5. I hope the hon. member

[Mr. McMillan.]

does not pretend that it is anything new to put out bonds at a discount.

Mr. McMillan: I do not pretend that it is anything new but the bonds I am discussing only have a term of one year. Certainly I have never heard tell of dominion bonds being put out at a discount for just for one year.

Mr. Fleming (Eglinton): You have something to learn.

Mr. McMillan: Certainly if a bond is put out at 97 to mature in one year the appreciation will be \$30 per thousand over that one year but if it is put out at 97 to mature in 5 years the appreciation will only be one-fifth or \$6 per year. I think the minister has missed that point. Certainly the particular bonds I was discussing mature in 13 months or a little over a year. I was giving an example. Suppose the government put out a bond at 97 to yield 3 per cent. As far as big corporations are concerned, that would be equivalent to being paid 9 per cent on a bond sold at par. But the government did not do that. They did however put out an issue at 97.90 to bear 2¾ per cent to come due in 13 months and, as the hon. member for Kenora-Rainy River said, that comes out to 6.6 per cent from the point of view of the net result to the corporation and certainly the net result to the treasury of Canada.

I should like to ask the Minister of Finance how he can expect the ordinary people of Canada, the small people of Canada, to buy the bonds that he wants them to buy. They have more money in the bank now than they ever had but how can he expect them to buy bonds when he treats big corporations in this way? We do know that these bonds were issued in units as high as \$1 million and certainly they were not readily available to the ordinary people of Canada.

Mr. Fleming (Eglinton): What bond is my hon. friend speaking of when he refers to \$1 million?

Mr. McMillan: The last ones were advertised in units as high as \$1 million.

Mr. Fleming (Eglinton): How ridiculous can you become?

Mr. McMillan: They were. I saw it myself. I have not got the information here but I can produce it for the minister.

Mr. Fleming (Eglinton): Those bonds were open to anybody.

Mr. McMillan: It seems to me that when the bonds were sold within 15 minutes they were not readily available to the public. I know people who tried to get them through