

of the question with respect to one lottery and on the other side of the question with respect to another lottery.

I have some objection to the scheme in that I do not think a very large market might exist in Canada today for this type of proposal. I know that when it was introduced in Great Britain, there was no other similar type of gambling, except maybe for the soccer pools. So it was reasonably successful. But when there are wide varieties of avenues for gambling, it is quite possible that there might not be a large market for this type of government obligation. That does not generate in me any great objection to further study by the standing committee, as has been suggested. There is no reason why we should not study it and try to determine whether it is a worthwhile proposition.

In conclusion, I would like to go back to 1975 when I was running as a candidate for a legislative assembly, before I became involved in federal politics. One of my opponents at that time was a gentleman by the name of Colin Wyne. Part of his electoral platform was that he was going to issue bonds of this nature. He was going to call them Wyne Bonds. I do not know whether he was going to spell them "Win" or "Wyne". However, the sad point from his point of view—not so sad from my point of view—was the result that he failed to be elected. I was elected.

Mr. Al MacBain (Parliamentary Secretary to Minister of Justice and Attorney General of Canada): Mr. Speaker, in responding to Motion No. 97 moved by the Hon. Member for Winnipeg-Assiniboine (Mr. McKenzie) this afternoon, I would like to mention first that the Hon. Member for Western Arctic (Mr. Nickerson) said that the Hon. Member for Lambton-Middlesex (Mr. Ferguson) suggested that the scheme was immoral. There was no such suggestion made by the Hon. Member for Lambton-Middlesex. In my opinion, one would not have expected any such scheme to have come from the distinguished Member for Winnipeg-Assiniboine.

However, I do agree with the Hon. Member for Western Arctic that the proposal is not a novel one. It has been suggested to the Government from time to time, especially by those attracted to similar lottery bond schemes in other countries, particularly in Britain. The idea has been considered by the Government, but it has not felt that the proposal was worthy of being put into effect. The idea, at first glance, might seem to have some attractive points. But there are some substantial weaknesses and drawbacks to the lottery bond proposal. On the whole, I do not feel that idea has enough merit to justify asking the Standing Committee on Finance, Trade and Economic Affairs, as this resolution proposes, to spend the time and effort to study the question. The committee has a good deal of priority work to occupy it without adding this proposal to its agenda. This point was in fact made by the Hon. Member for Lambton-Middlesex, and it is a valid point.

● (1640)

I suppose that there are three main arguments which have been made in support of what we might call "lottery bonds". First, they are seen as one way, a relatively easy way, of raising government funds. Second, they seem to be viewed as

Bonus Bond Draw

another outlet for satisfying the public's hunger for gambling. Third, it is argued that they are a good way of financing some particular field of government expenditure, for example, federal transfers to the provinces. I would like to put forward my own position on the proposal. I am not necessarily in favour of continuing the movement of federal-provincial governments, or even municipal governments into the field of gambling, whether by lottery bonds or other similar lottery schemes.

Lottery bonds can be designed in a number of ways, but the basic features are pretty much the same. The bonds are of small denomination so as to appeal to people of relatively small means. They are marketed through a large number of sales outlets, rather than the established financial institutions through which normal government securities are bought and sold. Sometimes a small interest payment is provided to all investors, presumably to protect them from forfeiting too much interest income in their pursuit of the big prize. The interest earnings which are not paid to the investors are put into a prize fund, with the winners determined by lottery.

There are some particular factors which should be borne in mind. For one thing, the nominal interest return on the bonds, whether paid in part to the investors or paid wholly into the prize fund, is normally substantially less than the interest return on regular government bond issues. In Britain, the interest earned on their premium savings bonds is equivalent to about half the going rate on long-term government bonds. This is because administration costs in selling lottery bonds are substantially higher than for normal bond issues, and also because the lottery prizes are exempt from income tax.

Another feature of importance is that purchasers of lottery bonds can cash them in for repayment whenever they wish. Of course, the lottery feature is designed to discourage this and to entice holders to hold on to their bonds. But with this option available to the public, the government's management of the public debt is complicated by the possibility of having to repay some part of its debt with no prior notice. This, of course, is a feature of Canada savings bonds as well, and it is precisely that problem which has in the past caused concern to government that savings bonds should not comprise too large a proportion of public debt.

So it would be adding to this problem if we were to issue a substantial number of other bonds which could similarly be cashed at any time without notice. I should add, however, that this is probably more of a theoretical than a practical difficulty. It is not very likely that lottery bonds would provide a substantial portion of the government's funded debt, in any event.

A more important fact is that, from the standpoint of financing the government's cash requirements, lottery bonds are really not needed. There are no real problems in raising necessary funds through the normal financial instruments: market bonds, Canada Savings Bonds, and Treasury bills. The cost of borrowing funds through those traditional routes is considerably less than would be the cost of merchandising lottery bonds.