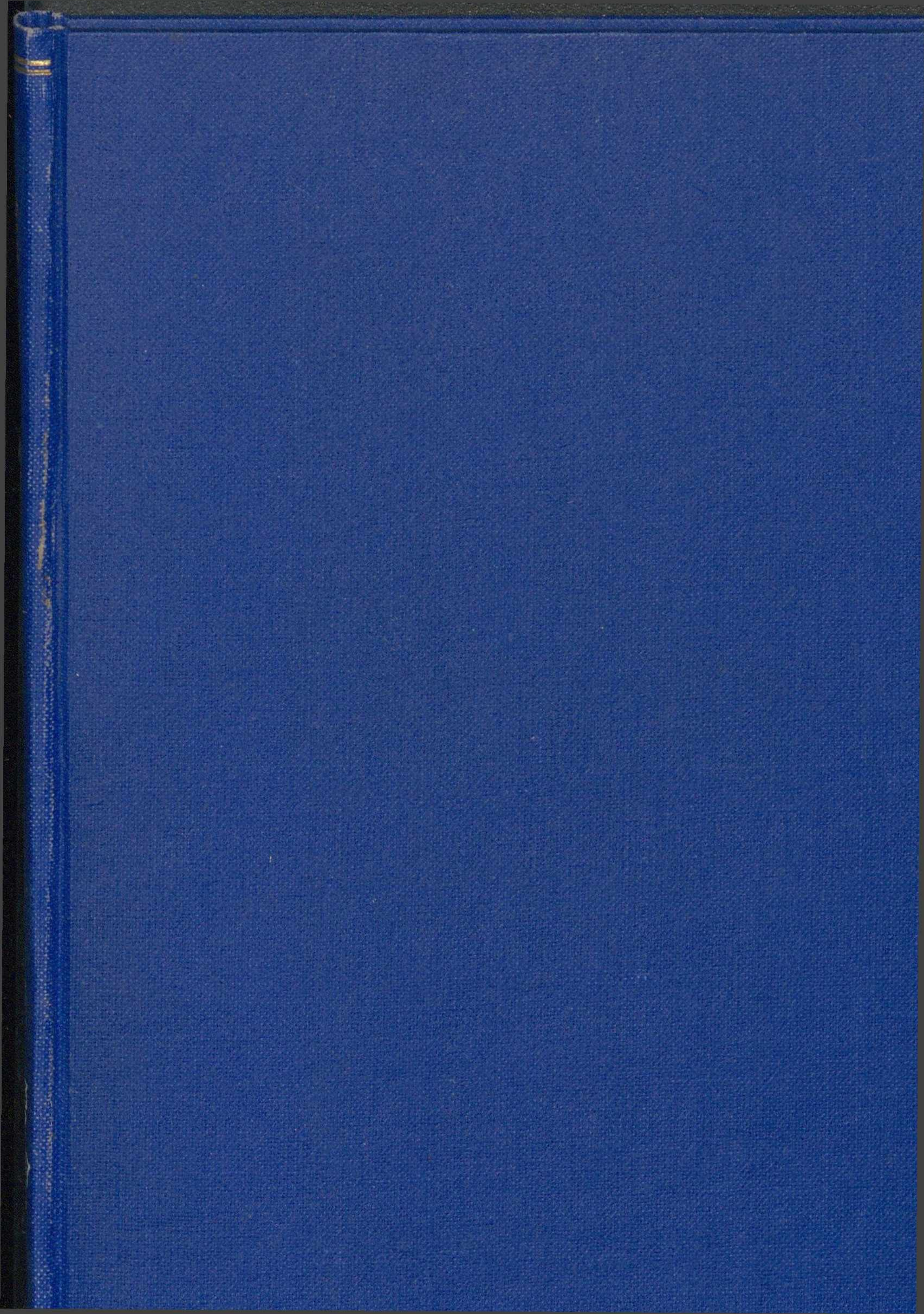

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Comm.on Banking and Commerce,
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HOUSE OF COMMONS

Fifth Session—Twenty-second Parliament

1957

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: JOHN W. G. HUNTER, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

Bill 106 (Letter Q-1 of the Senate)

An Act to amend the Quebec Savings Banks Act

THURSDAY, FEBRUARY 28, 1957

WITNESSES

Mr. C. F. Elderkin, Inspector-General of Banks, Department of Finance.

Mr. Guy Vanier, President, and Mr. P. Alphonse Perrault, General Manager, Montreal City and District Savings Bank; and Judge Thomas Tremblay, Vice-President, Quebec Savings Bank.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957.

86962—1

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: John W. G. Hunter, Esq.,
and Messrs.

Argue
Ashbourne
Balcom
Bell
Benidickson
Bennett
Blackmore
Cameron (*Nanaimo*)
Cannon
Crestohl
Deslieres
Dumas
Enfield
Eudes
Fairey
Fleming
Follwell
Fraser (*Peterborough*)
Fraser (*St. John's East*)
Fulton
Gour (*Russell*)
Hanna
Henderson
Hollingworth
Huffman
Low
Macdonnell (*Greenwood*)
MacEachen
Macnaughton
Matheson
Michener
Mitchell (*London*)
Monteith
Nickle
Pallett
Philpott
Power (*Quebec South*)
Quelch
Richard (*Ottawa East*)
Richardson
Robichaud
Rouleau
St. Laurent (*Temiscouata*)
Stewart (*Winnipeg North*)
Thatcher
Tucker
Valois
Viau
Weaver
Winch

A. Small,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS
JANUARY 24, 1957.

Resolved,—That the following Members do compose the Standing Committee on Banking and Commerce:

Messrs.

Argue,
Ashbourne,
Balcom,
Bell,
Benidickson,
Bennett,
Blackmore,
Cameron (*Nanaimo*),
Cannon,
Cresthol,
Deslières,
Dumas,
Enfield,
Eudes,
Fairey,
Fleming,
Follwell,
Fraser (*Peterborough*),
Fraser (*St. John's East*),
Fulton,
Gour (*Russell*),
Hanna,
Henderson,
Hollingworth,
Hosking,
Huffman,
Hunter,
Johnson (*Kindersley*),
Low,
Macdonnell,
MacEachen,
Macnaughton,
Matheson,
Michener,
Mitchell (*London*),
Monteith,
Nickle,
Pallett,
Philpott,
Power (*Quebec South*),
Quelch,
Richardson,
Robichaud,
Rouleau,
St. Laurent (*Témiscouata*),
Stewart (*Winnipeg North*),
Thatcher,
Tucker,
Viau,
Weaver—50.

(Quorum 15)

Ordered,—That the Standing Committee on Banking and Commerce be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

WEDNESDAY, February 20, 1957.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 106 (Letter Q-1 of the Senate), intituled: "An Act to amend the Quebec Savings Banks Act".

FRIDAY, February 22, 1957.

Ordered,—That the following Bill be referred to the said Committee:

Bill No. 158, An Act to amend the Municipal Grants Act.

WEDNESDAY, February 27, 1957.

Ordered,—That the name of Mr. Richard (*Ottawa East*) be substituted for that of Mr. Hosking; and

That the name of Mr. Winch be substituted for that of Mr. Johnson (*Kindersley*) on the said Committee.

86962—1½

THURSDAY, February 28, 1957.

Ordered,—That the quorum of the said Committee be reduced from 15 to 10 members and that Standing Order 65 (1) (*d*) be suspended in relation thereto.

Ordered,—That the said Committee be authorized to sit while the House is sitting.

Ordered,—That the said Committee be empowered to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

Attest.

LEON J. RAYMOND,
Clerk of the House.

REPORTS TO THE HOUSE

THURSDAY, February 28, 1957.

The Standing Committee on Banking and Commerce begs leave to present the following as its

FIRST REPORT

Your Committee recommends:

1. That its quorum be reduced from 15 to 10 members and that Standing Order 65(1)(*d*) be suspended in relation thereto.

2. That it be authorized to sit while the House is sitting.

3. That it be empowered to print, for the use of the Committee and of Parliament, such papers and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto.

THURSDAY, February 28, 1957.

The Standing Committee on Banking and Commerce begs leave to present the following as its

SECOND REPORT

Your Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. 106 (Letter Q-1 of the Senate), intituled: "An Act to amend the Quebec Savings Banks Act".

Respectfully submitted,

J. W. G. HUNTER,
Chairman.

MINUTES OF PROCEEDINGS

Part 1 for THURSDAY, February 28, 1957.

The Standing Committee on Banking and Commerce met at 11.00 a.m. Mr. J. W. G. Hunter, Chairman, presided.

Members present: Messrs. Ashbourne, Balcom, Benidickson, Blackmore, Cameron (*Nanaimo*), Cannon, Dumas, Enfield, Eudes, Fraser (*St. John's East*), Hanna, Henderson, Hollingworth, Huffman, Hunter, Macdonnell, Michener, Mitchell (*London*), Pallett, Philpott, Richard (*Ottawa East*), Richardson, Robichaud, Stewart (*Winnipeg North*), and Weaver.—(25)

In attendance on Bill No. 106: Mr. C. F. Elderkin, Inspector-General of Banks, Department of Finance, Ottawa; Mr. Guy Vanier, President, Montreal City and District Savings Bank, Montreal; Mr. P. Alphonse Perrault, General Manager, Montreal City and District Savings Bank, Montreal; and Judge Thomas Tremblay, Vice-President, Quebec Savings Bank, Quebec.

Mr. Hunter expressed his thanks for again having been elected Chairman of this Committee.

On motion of Mr. Macdonnell,

Resolved,—That a recommendation be made to the House to reduce the Committee's quorum from 15 to 10 members and that Standing Order 65(i)(*d*) be suspended in relation thereto. (See *First Report to the House*).

On motion of Mr. Balcom,

Resolved,—That a recommendation be made to the House to empower the Committee to sit while the House is sitting. (See *First Report to the House*).

On motion of Mr. Benidickson,

Resolved,—That a recommendation be made to the House to empower the Committee to print, for the use of the Committee and of Parliament, such paper and evidence as may be ordered by the Committee and that Standing Order 66 be suspended in relation thereto. (See *First Report to the House*).

On motion of Mr. Ashbourne,

Ordered,—That 750 copies in English and 250 copies in French be printed of the Committee's Minutes of Proceedings and Evidence in respect of Bills 106 and 158.

Bill No. 106 (Letter Q-1 of the Senate), "An Act to amend the Quebec Savings Banks Act", was called for consideration. Mr. Elderkin was called, heard, and questioned together with Messrs. Vanier, Perrault and Tremblay.

Clauses 1 to 9 inclusive were considered and adopted.

The Title and the Bill were adopted and it was

Ordered,—That the Chairman report the said Bill to the House without amendment. (See *Second Report*).

The witnesses were retired.

Bill No. 158, "An Act to amend the Municipal Grants Act", was called for consideration at 11.30 a.m. (*For proceedings on Bill 158, please refer to next issue of these proceedings*).

A. Small,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

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[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

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[illegible]

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EVIDENCE

THURSDAY, February 28, 1957.

The CHAIRMAN: Gentlemen, we have a quorum. First of all, may I express to you appreciation for being selected as chairman again. I think it is a great honour, and I am very happy to have such a satisfactory committee to work with.

It is customary to reduce to 10 the quorum of 15, which we now have.

Mr. MACDONNELL (*Greenwood*): I will move that a recommendation be made to the house to reduce the quorum from 15 to 10 members, and that standing order 65 (1) (*d*) be suspended in relation thereto.

The CHAIRMAN: Thank you very much. You have heard the motion, gentlemen. All those in favour? Contrary if any?

Motion agreed to.

It is also customary at this time to obtain authority from the house to sit while the house is sitting. I wonder if we could have a motion in that regard?

Mr. BALCOM: May I move that a recommendation be made to the house to empower the committee to sit while the house is sitting?

The CHAIRMAN: You have heard the motion, gentlemen. Contrary, if any?

Motion agreed to.

It is also customary, gentlemen, at this time to pass a motion to obtain authority to print the proceedings. I wonder if we could have a motion to that effect?

Mr. BENIDICKSON: Mr. Chairman, I move that a recommendation be made to the house to empower the committee to print, for the use of the committee and of parliament, such papers and evidence as may be ordered by the committee and that standing order 66 be suspended in relation thereto.

The CHAIRMAN: You have heard the motion, gentlemen. All those in favour? Contrary, if any?

Motion agreed to.

It will now be necessary to set the printing quantities in respect to Bills 106 and 158. I wonder if we could have a motion to that effect?

Mr. ASHBOURNE: I move, seconded by Mr. Philpott, that 750 copies in English and 250 copies in French be printed of the committee's minutes of proceedings and evidence in respect of Bills 106 and 158.

The CHAIRMAN: You have heard the motion, gentlemen. All those in favour? Contrary, if any?

Motion agreed to.

The first bill on the agenda is an Act to amend the Quebec Savings Bank Act, Bill No. 106, Senate Bill Q1.

Mr. C. F. Elderkin is here to explain anything in connection with it. With your approval I would suggest that he make a preliminary statement in order that the committee will understand what we are attempting to do in respect of this bill.

Mr. C. F. Elderkin, Inspector-General of Banks, called.

The WITNESS: Gentlemen, this bill governs the operations of two savings banks in the province of Quebec. These banks are both over 100 years old, and were incorporated by special acts in 1862 and 1866 respectively. At the time of Confederation they were granted charters by the Governor General. They operate under those charters and derive their powers from this act. They are entirely savings banks, and therefore do not have the powers and privileges that the chartered banks have. Most of their powers are specifically laid down in the act.

This bill amends several of their investment powers as well as making a few rather inconsequential changes in wording.

I think it would be easier to discuss the amendments as we come to the various sections, if that is satisfactory to this committee.

Mr. MACDONNELL (*Greenwood*): Mr. Chairman, could we have a word as to the exact nature of the deposits? Mr. Elderkin has told us that they receive savings deposits. Are they legally subject to notice? Secondly, would he say a word in general as to the difference in investment powers between these banks and the chartered banks?

The WITNESS: In answer to your first question, almost all of the deposits of both banks are interest-bearing deposits. Theoretically, as in the case of the chartered banks, they are subject to notice. In practice, as in the case of the chartered banks, notice is very rarely, if ever, requested.

With respect to the investment powers, to a great extent the savings banks are restricted to certain types of securities which are specified later in the act including federal, provincial, municipal, religious and school securities. They have some investment powers, which we will discuss later, in corporate securities, but these are rather limited.

In the lending field they are very restricted. They make very few commercial loans, and require a very high type of security when they do make loans, with the exception of loans to individuals, which up to a limit may be made without security. This limit is being amended by this bill.

They have one power that chartered banks do not have, in that they can and do make loans on conventional mortgages whereas the chartered banks are not permitted to do so. They are also authorized lenders under the National Housing Act on guaranteed mortgages.

By Mr. Michener:

Q. Mr. Chairman, we have the two financial statements of the banks here. Could Mr. Elderkin just say a word about their assets—paid up capital and their financial positions? I take it they are both in sound health and condition? A. Very sound.

Q. And the bill is not necessarily a result of any weakness of the banks? A. No. The purpose of some sections of the bill is to enlarge the powers so as to give them an opportunity to operate in a slightly wider investment field, and to remove some restrictions which are not considered necessary.

The two banks had total assets at the end of December, 1956, of approximately $273 million. They had a total capital, rest and undivided profits of about $12,200,000. They had deposits at that time from the public of approximately $251 million. Their investments were, as I have said, concentrated greatly in federal, provincial, and municipal government securities—to the extent of about $184 million.

By Mr. Macdonnell (Greenwood):

Q. And the balance?—A. They are, of course, required to maintain a cash reserve, which is similar to the cash reserve that used to be in effect for chartered banks. That is namely a five per cent daily cash reserve. They have mortgages of about $30 million.

By Mr. Stewart (Winnipeg North):

Q. Could the witness tell us on whose instigation these amendments are being made? Is it at the instigation of the department, or of the banks themselves?—A. For the most part it is on the part of the banks themselves. The department is taking the opportunity, in view of the fact that the amendments are being made, of putting in a few inconsequential ones with reference to the wording. But, the amendments as to the powers are at the request of the banks themselves.

By Mr. Michener:

Q. They are both joint stock companies?—A. Yes, sir.

Q. And how many directors are there in each?—A. My recollection is that they each have authority to have 10 directors.

Q. Have you any information about the number of shareholders who hold shares in the banks?—A. I am afraid I cannot answer that. We have officers of the two banks here. They might be able to give you that information, but I do not have it by memory.

Q. It would be interesting to know approximately how widely the securities of the banks are held.—A. They are not very widely held because these have been, in effect, community banks. They are concentrated respectively in and around the city of Montreal, and in and around the city of Quebec. I think I am safe in saying that to a great extent most of their shareholders are also in the same communities.

Q. What rate of interest are they paying on deposits now?—A. They pay the same as the chartered banks.

Q. Which is what?—A. Two and three quarter per cent.

Q. Two and three quarter percent.

By Mr. Macdonnell (Greenwood):

Q. Can you say that the net aims and results of the present amendments are?—A. There are three amendments which alter their security investment powers, and give them some further privilege, but relatively little. It is mostly to wipe out anomalies in the present act. These are amendments which increase their powers of investment in mortgages. For this type of institution these are desirable investments. Incidentally, the amendment with respect to that is both restricting in some cases and enlarging in others, because we are proposing certain qualifications which are more restricted than they were before, but enlarging the amount which they may invest.

There is a further amendment in respect of the mortgages—that is conventional mortgages—which allows them to charge a rate of interest which is according to the market. Previously, because of the way the act is worded, they automatically were restricted on mortgage loans just the same as they were restricted on other loans, to the same limit as in the Bank Act, namely: six per cent per annum. Of course, that rate is now topped considerably in the conventional mortgage market.

There is a further amendment permitting them to increase the loans which they may make to individuals without security, from $2,000 to $5,000. This

is a power which the banks have exercised very successfully. These banks deal, to quite a great extent, with people who in times of trouble, perhaps have not got security. What they do have, principally, is their moral responsibility, and the banks may have known them for years. This type of loan has been very helpful to the public, and the losses under that authority have been practically negligible.

Q. As I understand it, their investments very largely are in government bonds, or in mortgages, and conversely, they have a very small part of their investments in commercial loans?—A. Very small. At December 31—it is a little difficult to segregate the commercial loans in this statement—but they only had altogether $10 million in loans, including individual loans, personal loans, call loans and all other types of loans.

Q. That is out of the total assets of $270 million?—A. Yes.

By Mr. Stewart (Winnipeg North):

Q. Mr. Elderkin, can you give us some idea of the dividend history of the banks in recent years?—A. Perhaps I had better ask the representatives of the banks. If I remember, they have paid their dividends consistently for many years,—as far as I know, since the turn of the century at least. Is that not right, Mr. Vanier?

MR. GUY VANIER (*President of the Montreal City and District Savings Bank*): We have neither omitted nor decreased dividends since the inception of business.

THE WITNESS: I think the same could be said for the Quebec Savings Bank. The present rate is $1 per share, and a bonus of 10 cents, I think, last year. In the Montreal City and District Savings Bank, the rate is $2 per share, altogether.

By Mr. Stewart (Winnipeg North):

Q. What is the value of the shares—the nominal value?—A. They have the same par value as the chartered banks—$10 per share. The shares of neither of the banks are listed on a stock exchange.

The CHAIRMAN: It sounds like a good investment, Mr. Stewart.

Mr. STEWART (*Winnipeg North*): It sounds not too bad.

The CHAIRMAN: Are there any further questions?

Mr. RICHARD (*Ottawa East*): Are we taking this in a general manner? Are there no investments in common shares?

The CHAIRMAN: In respect of specific sections, I thought we would wait until we came to the sections.

If there are no more general questions we will start on the bill. Shall clause 1 carry?

Clause 1 agreed to.

On clause 2:

2. (1) Subsections (1) and (2) of section 55 of the said Act are repealed and the following substituted therefor:

Cash reserve. "55. (1) The bank shall at all times maintain a cash reserve in the form of notes of or deposits with the Bank of Canada or of deposits with a chartered bank in Canadian currency and such reserve shall be not less than five per cent of such of its deposit liabilities as are payable in Canadian currency.

Additional reserve.

(2) The bank shall at all times maintain a reserve, in addition to that required by subsection (1), equal to at least fifteen per cent of such of its deposit liabilities as are payable in Canadian currency in the form of

(a) notes of or deposits with the Bank of Canada or of deposits with a chartered bank in Canadian currency, or

(b) securities of or guaranteed by the Government of Canada or of a province."

(2) Section 55 of the said Act is further amended by adding thereto the following subsection:

Reserve for foreign liabilities.

"(4) The bank shall also maintain adequate reserves against liabilities payable in foreign currencies."

Mr. MACDONNELL (*Greenwood*): Could we have something said about that?

The CHAIRMAN: This is on clause 2, is it, Mr. Macdonnell?

Mr. MACDONNELL (*Greenwood*): On clause 2, yes. Could Mr. Elderkin compare the position, as it will be if the amendment is passed, with the position of the chartered banks?

The WITNESS: There are some differences between this formula and that of the chartered banks.

These banks are required to keep a five per cent cash reserve. Incidentally, these amendments which you have here in clause 2, to section 55, are only putting into legislation what has been in effect. This is just correcting the drafting of the 1954 bill. The cash reserve only relates to "Canadian" deposit liabilities. That word "Canadian" was omitted. You will notice that all the changes in the section are changes which state that deposits are in Canadian currency, and that the cash reserve shall be in Canadian currency.

Subsection (4) is an added subsection. It was considered necessary to put this in the act, in view of the fact that the first part of the section will now only refer to Canadian reserves. I might say that this subsection (4) is identical to a similar subsection of the Bank Act.

In practice, these banks maintain 100 per cent cash reserve with respect to deposits in foreign currencies. No securities other than Canadian are held by either bank.

Clause 2 agreed to.

On clause 3:

3. Section 59 of the said Act is repealed and the following substituted therefor:

Idem

"59. The bank may invest in

(a) the securities and preferred shares of a corporation incorporated in Canada

(i) the common shares of which are listed on a recognized stock exchange, or more than one-half the common shares of which are owned by a corporation incorporated in Canada whose common shares are listed on a recognized stock exchange,

(ii) that has, in each of its last five financial years ended less than one year before the date of the investment, paid in cash, out of income earned in the year of payment,

(A) a dividend on all its outstanding capital stock, or
(B) interest in full upon all of its outstanding securities, and

(iii) that has an unimpaired paid-up capital and earned surplus in excess of five hundred thousand dollars;

(*b*) the shares of a chartered bank that has, in each of its last five financial years ended less than one year before the date of the investment, paid in cash, on all its outstanding capital stock, a dividend out of income earned in the year of payment; and

(*c*) any other securities approved by the Treasury Board;

if the aggregate value of the investments on the books of the bank under this section, together with the market value of the proposed investment, does not exceed fifteen per cent of its deposit liabilities."

By Mr. Richard (Ottawa East):

Q. I would like to have an explanation of that section, and how it applies in the long run. Does that mean—and I suppose this is a common clause in these acts—that such a bank can invest in any stock on the exchange in Canada, for example mining stock, that would have been paying one cent or two cents dividend for five years?—A. No. This section does not give authority to invest in common stocks. This section gives authority to invest in securities, which incidentally are defined by the act as being bonds, to all intents and purposes, and preferred shares of a corporation. The reference to common stock in paragraph (*a*) of clause 3, is a provision qualifying the preferred shares and the securities of the corporation. In other words, the banks are only authorized to invest in such securities and preferred shares if the common stock is listed.

Q. Oh, yes.—A. But, they are not authorized under this section, to invest in common stock.

Q. Have they any powers to invest in common stock?—A. We are coming to that in the next section.

The CHAIRMAN: Shall clause 3 carry?

By Mr. Macdonnell (Greenwood):

Q. I wanted to ask this question: in the explanatory note, it says: "in the concluding provision of this section, as amended, the investment limit in relation to deposit liabilites would remain the same, but would be based on the book value of the securities held rather than the market value."—A. Yes. The previous section read, as you will see above, that the aggregate which they might hold in this type of investment was a combination of the market value of the investments which they already held plus, in effect, the market value of the securities they were buying.

As you will understand, that could raise some rather peculiar circumstances because they might have bought bonds at a discount, which bonds might since have gone up; or they might have bought preferred shares at a low value.

What the act is trying to provide is this: that the total investment which the bank has in this type of security at the time of the purchase is the basis of the limit rather than what the market value might be whether it be less or more; it is the amount which the bank has in this type of investment plus what they are going to invest which is limited.

By Mr. Richard (Ottawa East):

Q. Even if it is preferred stock of a company, there is no requirement that the dividends will be of a given size, that they could be half of one per

cent or one per cent?—A. The company has to have paid dividends on all its outstanding capital stock, both preferred as well as common.

Q. It could be any kind of dividend?—A. That is right; and there may be the other qualification of having paid interest on all its securities.

Clause 3 agreed to.

On clause 4.

> 4. The said act is further amended by adding thereto, immediately after section 59 thereof, the following section:
>
> Idem
>
> 59A. The bank may invest in the securities and shares of a corporation incorporated in Canada, other than one mentioned in section 58 or 59, the securities of which are not in default in respect of either principal or interest, if the aggregate value of the investments on the books of the bank under this section, together with the market value of the proposed investment, does not exceed fifty per cent of the paid-up capital and rest account of the bank.

By Mr. Richard (Ottawa East):

Q. Mr. Chairman, it may be that this is the place where we might receive an explanation of what type of securities are in mind.—A. This is a clause which is new as you can see, and it permits the bank to make any type of investment in security or shares which it sees fit, up to a limited amount. This is a new departure for savings banks. But there is a somewhat similar provision in the Canadian and British Insurance Companies Act which authorizes those companies to make investments and loans not otherwise authorized, in the aggregate not exceeding three per cent of the book value of the assets of the company. This proposed amendment sets, a different limit on it; that is to say it sets a limit of 50 per cent of the paid up capital and the rest account. In other words, the amendment or the authority places the limit on these investments at 50 per cent of the shareholders' funds.

By Mr. Macdonnell (Greenwood):

Q. That is to say shareholders' equity?—A. That is right, yes; and the amendment would have permitted the banks to invest in securities and shares of this type as at December 31 to the extent of only $5¾ million, that is, for the two banks combined.

If a similar provision were here as in the Insurance Companies Act, the limit would be about the same, in the smaller bank, but substantially greater in the larger bank. In other words, this permits a very limited scale of investment in any type of security or share which the management of the bank might consider desirable.

By Mr. Richard (Ottawa East):

Q. It could be that at some time it might be a risk investment?—A. Quite possibly it could be a risk investment, but relatively of very small size because the authorized total is only $5¾ million out of total assets of $273 million. It is sometimes called a "basket clause".

By Mr. Macdonnell (Greenwood):

Q. Clause 4 of the bill reads:

> 59A. The bank may invest in the securities and shares of a corporation incorporated in Canada, other than one mentioned in section 58 or 59, the securities of which are not in default in respect of either principal or interest, if the aggregate value of the investments on the

> books of the bank under this section, together with the market value of the proposed investment, does not exceed fifty per cent of the paid-up capital and rest account of the bank.

In other words, that is the same intent as 50 per cent of the shareholders' equity.—A. That is right.

Q. 50 per cent of shareholders' equity could be a variable amount.—A. No, it could only be a variable amount as new stock is subscribed, or as additions are made to the rest account. It does not take in all the shareholders' equity because it does not include the undivided profits account; it only takes in the paid up capital stock and the profits which have been set aside which were derived from operations. It does not include the undivided profits accounts which accounts are normally used for dividend distribution.

Q. I think that is the answer to my question; it does not include all shareholders' equity?—A. No, it does not.

Mr. BENIDICKSON: Mr. Chairman, have we asked whether or not the representatives of the banks care to say anything before we carry the bill?

The CHAIRMAN: Would you like to hear from Mr. Vanier?

Mr. VANIER: No thank you, Mr. Chairman. I think that Mr. Elderkin has answered for us very clearly, accurately, and effectively. We have nothing to add except to say that we fully agree with the department on each of these matters.

Mr. MICHENER: How many shareholders are there?

Mr. VANIER: There are around 800 in our bank.

Clause 4 agreed to.

On clause 5.

> 5. Paragraph (*g*) of section 63 of the said Act is repealed and the following substituted therefor:
>
> "(*g*) to any individual in an amount that, together with the amount owing by the individual to the bank in respect of any other loan under this section, does not, at the time of the loan, exceed five thousand dollars;"

Mr. MACDONNELL: Might we have a word from Mr. Vanier as to the amount of the loans. I presume that the history of the personal loans of $2,000 has been satisfactory; but with the decrease in the value of money it is felt desirable to raise the amount. So we might have a word on that, and also with respect to your balance sheet,—as to how much. I take it that it is quite a small amount of the bank's assets?

Mr. VANIER: The amount invested in loans of that type would amount to only a few million dollars and we have suffered practically no loss from that. We think that $2,000—now that money has depreciated—is a very low amount and we do not like to turn down good clients who come to us with reasonable credit on their moral value.

The CHAIRMAN: It is not a very high loan.

The WITNESS: I may say from my own experience and for the benefit of the committee that the history of both banks in this type of loan has been exceptionally good and the losses have been relatively negligible.

The CHAIRMAN: If you bring in a $100 bond you may borrow $50?

The WITNESS: The loans are made entirely without security and are almost always made to depositors in the bank, that is to customers who have been with them for a great many years.

Clause 5 agreed to.

On clause 6—Loans and advances on security of first mortgages.

6. Section 64 of the said act is repealed and the following substituted therefor:

Loans and advances on security of first mortgages.

"64. (1) The bank may lend money and make advances on the security of a first mortgage or hypothec on improved real or immovable residential property in Canada if

(*a*) the loan is authorized by a resolution of the board of directors of the bank, and

(*b*) the amount of the loan does not exceed the lesser of

(i) sixty per cent of the value of the real or immovable property on which the mortgage or hypothec is taken, or

(ii) one hundred thousand dollars,

and the aggregate amount outstanding of

(*c*) loans made by the bank under this section,

(*d*) loans made by the bank under the *National Housing Act, 1954*, and

(*e*) mortgages and hypothecs invested in by the bank under section 60,

together with the proposed loan, does not exceed forty per cent of its deposit liabilities.

"Improved real or immovable residential property" defined.

(2) In this section "improved real or immovable residential property" means land or immovable property upon which there is situate a building that constitutes a permanent improvement to the property or on which there is such a building in the process of construction, if at least one-half of the floor space of the building is used, or in the case of a building in the process of construction, is to be used, for residential purposes.

Mortgages as part payment.

(3) This section does not limit the authority of the bank to accept a mortgage or hypothec of any amount as part payment of the sale price of real or immovable property sold by the bank.

Interest rate.

(4) The provisions of section 71 do not apply to loans and advances made under this section.

By Mr. Cannon:

Q. Mr. Chairman, with respect to clause 6 I would like to know if these banks have always been authorized to make loans directly on first mortgages on real estate?—A. No. The power to make conventional mortgage loans was first granted to these bank in 1948, and it was first restricted to 5 per cent of their deposit liabilities; later, in 1952, it was raised to 10 per cent of their deposit liabilites, and in 1954 it was amended to 20 per cent.

The amendments to this section are in some cases restrictive as I said before, but in some cases they give more authority. There is a new restriction as far as conventional mortgages are concerned, to loans on residential property,—which was not the case before.

Q. I wanted to ask the reason for it.—A. The reason was that it is felt and the banks themselves feel that commercial properties are not suitable types of mortgages for their operations. Most of these mortgages,—in fact I think all of them—are repayable on either a monthly, quarterly or half yearly basis, and they are spaced according to the ability of the borrower to pay, mostly on a five year term, although some of them do run to 15 years.

You will note when you look at the definition of residential property in subsection 2 that it is not entirely restricted to houses but rather to property

of which the floor space is more than one half used for housing, because particularly in the province of Quebec there are a great number of buildings in which there is a store downstairs, and housing upstairs. The object here is not to take that type of property out as security but not to permit loans on solely commercial property which is not usually considered as good a risk. Another restriction here is the limit of $100,000 on any one mortgage or 60 per cent of the value, whichever is the less; and this is to prohibit banks, let us say, from loaning on large apartment houses, a type of loan which is not considered suitable for this sort of institution.

Q. I have one other question: in relation to subsection (d), loans which may be made under the National Housing Act; could the officials tell us what the total amount of loans made under the National Housing Act is for the two banks?—A. At December 31 the total was $9,150,000 for the two banks.

By Mr. Cameron (Nanaimo):

Q. Could we be told if the N.H.A. loans have been maintained at a certain level since 1954?—A. They only started in 1954. They were only authorized to start lending at the same time as the chartered banks in April, 1954, and there has been a growth in the amount since that time.

Q. There has not been a decline?—A. No, there has not been a decline, but as these banks do not benefit to a great extent from the expansion of loans, they must derive new funds from their deposits. For instance, they only expanded their assets in the year 1956 by about $5 million, and therefore the funds available to them for mortgage lending must come in effect from new deposits, and to a certain extent from repayments on investments or other loans.

By Mr. Blackmore:

Q. In respect to subsection (e) and with respect to that number forty, is there any meaning in respect to forty? Is forty the limit in respect to other banks also?—A. First, this is a new departure. To a certain extent what is being done here is to limit the total of mortgage loans, both conventional and N.H.A., to 40 per cent. Prior to these amendments coming into effect the limit is 20 per cent, or at least 20 per cent on conventional mortgages and no limit on N.H.A. mortgages. But that is to be changed by limiting all mortgage loans to 40 per cent of deposit liabilities.

With respect to your question about the chartered banks, the answer is that there is no limit on N.H.A. mortgages, but the banks are not allowed to lend on conventional mortgages.

By Mr. Mitchell (London):

Q. Why is that change being made?—A. First of all the banks wanted greater latitude in mortgage lending, and of this the department approves. But it was felt that there should be an overall limit on the total amount of investment in mortgages.

Q. At the present time as I understand it there is no limit on the investments which they can make under the NHA?—A. That is right.

Q. But there is a 20 per cent limit on all conventional mortgage loans?—A. That is right.

Q. How do they stand at the moment?—A. As of December 31—again quoting figures of that date—they had $9 million under the N.H.A., and $20 million of conventional mortgages.

Q. How do these work out normally, percentagewise?—A. Of what?

Q. Of their total authorization?—A. Oh, of their total authorization they are not any place near it.

Q. That $9 million would be the only one effected?—A. They would be authorized to lend up to about $100 million.

By Mr. Stewart (Winnipeg North):

Q. Could you tell us what the figures are for mortgages, both conventional and N.H.A. for 1954, 1955, as well as 1956? Have you that information?—A. You want the amount of conventional mortgage loans?

Q. Yes.—A. At the end of 1954 and 1955?

Q. Yes.—A. I am afraid that I have not got that information here.

Q. Could any of the bank representatives inform us?

Mr. VANIER: We have added between $8 million and $10 million a year in our mortgages. There is a big demand for them in Montreal and since the great bulk of our people are thrifty people and most of them own property which is expensive, they want a little money with which to buy and to rectify. So we have many applications for loans of that sort, and we thought that we could increase the facilities we have to offer to the public by the amount of our loans. They are increasing by $8 million to $10 million a year.

Mr. STEWART (*Winnipeg North*): There are $20 million out on mortgages as at December 31, 1956?

Mr. VANIER: Yes. We started in that field only a few years ago.

Mr. STEWART (*Winnipeg North*): I wondered if you had the figures available as of December 31, 1954 and December 31, 1955?

Mr. VANIER: I believe the difference in the figures would be around $8 million.

Mr. P. ALPHONSE PERRAULT (General manager, Montreal District and City Savings Bank): In 1954 under the National Housing Act it was $2,700,000; and at the end of 1955, it was $5,578,000; and at the end of 1956 it was $9,113,000.

Mr. STEWART (*Winnipeg North*): And for the other mortgages, what were the figures?

Mr. PERRAULT: For the other mortgages at the end of 1954, it was $4,500,000; at the end of of 1955, it was $7,250,000; and at end of 1956, $15,500,000.

By Mr. Blackmore:

Q. Why was the figure 40 selected rather than 35 or 45? What was the principle upon which the calculation was based?—A. I cannot say that it is very scientific but it was felt that in the present circumstances it would be a safe level and that it could stay at that level for the time being; and if the banks ever reached that level, then we could take another look at it. I cannot give you any scientific reason for it.

Clause 6 agreed to.

By Mr. Macdonnell (Greenwood):

Q. On clause 6, I notice the management of the banks have been so ultra conservative—

The CHAIRMAN: Spelt with a small "c"?

By Mr. Macdonnell (Greenwood):

Q. I would like to think both, but I am not so sure. At any rate they have been so conservative that it would almost seem at first that they could never be anything else. But the figure forty which can apply to conventional mortgages is an overall figure, and it raises this question: at the present time the amount is twenty; the chartered banks are making loans for mortgages only with the guarantee of which we know. That is an invasion of your usual practice, and it may not disappear. However, here we have a situation which could run on to the point when perhaps, when gentlemen who are a little less conservative than those who are now there, would be running the banks, could be running up to 40 per cent in these mortgages. Also we have another figure. You could put $100,000 into individual residences, as I understand it, and that is a question I would like to get some explanation about. Under the act it could be 40 per cent.—A. To answer your last question first. Quite a bit of this lending may be done on properties which have stores on the ground floor and perhaps two or three residential floors above. It may be done on residences which are being converted into multiple dwelling apartments. The figure of $100,000 under the circumstances I do not think is an extravagant one. I do draw to the attention of the committee that these mortgages are all on a periodic payment basis.

Q. By law?—A. No. By their own practice, after discussion to a certain extent with the department; and it is for their own safety. The figure of 40 per cent is a very small figure compared with similar situations in the savings banks in the United States where it runs from 50 per cent up to 70 per cent. I notice that there is a proposal before the American House at the present time to set a figure of 80 per cent for federal housing loan associations. One must I think look at this in a different way than one would in respect to the chartered banks. The deposits in savings banks are to a great extent, long term deposits which fluctuate very little. I do not say they are long-term by contract but they are in effect that.

Q. They have always been?—A. Yes.

Q. May I interject and ask a question about the American situation. I am familiar with the fact that mortgages have played a larger part in American banks. Is there any difference in practice there with respect to the withdrawal of deposits. I realize that the last thing the banks intend to do is to take advantage of that. Is there any different practice in the United States?—A. They have notice requirements, and the savings banks in the United States I think rarely if ever permit checking privileges. A great many of them do not; in other words, a withdrawal is across the counter.

Q. I am not sure I appreciate the full effect of that?—A. It has very little effect except perhaps that there might be less variation in the accounts than when checking privileges are allowed. A point which should be drawn to the attention of the committee is that these banks have re-discounting privileges with Bank of Canada, the same as the chartered banks. If at any time there was necessity for obtaining funds they have the same re-discounting, or borrowing privileges, as have the chartered banks.

Q. Will you refresh our memory on that? Would it mean that mortgages were as discountable, let us say, as government bonds?—A. The powers in connection with that are in the Bank of Canada Act. It is quite a long provision.

Q. Will you summarize it?—A. Bank of Canada may lend on the pledge or hypothecation of all classes of security mentioned in the preceding paragraph which in effect takes in all types of securities, mortgages, coin, bullion

and practically any asset which the bank has, with the exception of buildings. The bank can borrow on these securities from the Bank of Canada.

Q. In connection with the value of an individual loan not exceeding $100,000 you said in practice that would tend almost invariably to be a development to yield revenues but there is nothing to say that.—A. No.

Q. One hesitates to be critical about a technical regulation of this kind which has worked well for a century. However, I confess I would have been happier had it not been 40 per cent or $100,000, but I feel that there has been a lot of practice to warrant what has been done.—A. There is another protection; 60 per cent of the value. It is whichever is the lesser. So there will always be a value of equity of one-third.

By Mr. Richardson:

Q. Why is the limitation proposed by section 71 being withdrawn?—A. I explained earlier that it was perhaps inadvertently put in the wording of the act previously which set the 6 per cent limit on all loans made by the bank. It is being removed at the present time because the rate of interest on conventional mortgages has passed 6 per cent some time ago and it was found that in fact these people would be out of a mortgage market to a great extent. They are doing a very good job in this field and I should like to see them stay in it.

Clause 6 agreed to.

On clause 7:

7. Sections 81 and 82 of the said Act are repealed and the following substituted therefor:

Poor Fund of Montreal.

"81. The principal of the Poor Fund of The Montreal City and District Savings Bank, which has been ascertained and settled at one hundred and eighty thousand dollars, shall continue invested and shall be held by the said bank in any of the securities mentioned in section 58.

Charity Fund of Quebec.

82. The principal of the Charity Fund of La Banque d'Économie de Québec, The Quebec Savings Bank, which has been ascertained and settled at eighty-three thousand dollars, shall continue invested and shall be held by the said bank in any of the securities mentioned in section 58."

By Mr. Cannon:

Q. I am interested in clause 7 because it shows evidently that these banks have a good sense of social obligations written into their charter. That does not mean that the other banks do not do likewise because we know that they contribute when drives are made for charity. I would like to know if these funds have existed since the inception of these banks and what is the custom of the banks in dealing with these funds.—A. These funds have a very interesting history. When these banks were incorporated by the federal charter in 1867 they had free surpluses. They were mutual organizations at that time and the surplus in effect did not belong to anybody unless perhaps it could be refunded to the depositors or the borrowers in some way. Therefore the arrangement was made that the surpluses should be set up in each case as a charity fund and it has remained so by statute ever since. The income from these funds is distributed annually to a list of charities in the respective cities. The list of charities is approved by the board of directors.

Mr. CANNON: Thank you very much.

Clause 7 agreed to.

Clause 8 agreed to.

Clause 9 agreed to.

Title and Bill agreed to.

The CHAIRMAN: Shall I report the bill without amendment?

Agreed.

(The subsequent proceedings of this day were devoted to Bill No. 158, an Act to amend the Municipal Grants Act, and will appear in Issue No. 2 of the Committee's *Minutes of Proceedings and Evidence.*)

HOUSE OF COMMONS

Fifth Session—Twenty-second Parliament

1957

STANDING COMMITTEE
ON
BANKING AND COMMERCE

Chairman: JOHN W. G. HUNTER, Esq.

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

Bill 158

An Act to amend the Municipal Grants Act

THURSDAY, FEBRUARY 28, 1957 (*Continued*)
TUESDAY, MARCH 5, 1957.

WITNESS

Mr. R. M. Burns, Director of Municipal Grants and Federal-Provincial Relations, Department of Finance, Ottawa.

EDMOND CLOUTIER, C.M.G., O.A., D.S.P.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1957.

87028—1

STANDING COMMITTEE

ON

BANKING AND COMMERCE

Chairman: John W. G. Hunter, Esq.,
and Messrs.

Argue
Ashbourne
Balcom
Bell
Benidickson
Bennett
Blackmore
Cameron (*Nanaimo*)
Cannon
Crestohl
Deslieres
Dumas
Enfield
Eudes
Fairey
Fleming
Follwell
Fraser (*Peterborough*)
Fraser (*St. John's East*)
Fulton
Gour (*Russell*)
Hanna
Henderson
Hollingworth
Huffman
Low
Macdonnell (*Greenwood*)
MacEachen
Macnaughton
Matheson
Michener
Mitchell (*London*)
Monteith
Nickle
Pallett
Philpott
Power (*Quebec South*)
Quelch
Richard (*Ottawa East*)
Richardson
Robichaud
Rouleau
St. Laurent (*Temiscouata*)
Stewart (*Winnipeg North*)
Thatcher
Tucker
Viau
Weaver
Winch

A. Small,
Clerk of the Committee.

ORDER OF REFERENCE

FRIDAY, February 22, 1957.

ORDERED

That the following Bill be referred to the said Committee:

Bill No. 158, An Act to amend the Municipal Grants Act.

LEON J. RAYMOND,
Clerk of the House.

Attest.

87028—1½

REPORT TO THE HOUSE

TUESDAY, March 5, 1957.

The Standing Committee on Banking and Commerce begs leave to present the following as its

THIRD REPORT

The Committee has considered the following Bill and has agreed to report it without amendment:

Bill No. 158, intituled: "An Act to amend the Municipal Grants Act".

A copy of the Minutes of Proceedings and Evidence relating to the said Bill and to Bill No. 106 (which was reported to the House on February 28, 1957), is tabled herewith.

Respectfully submitted,

J. W. G. HUNTER
Chairman.

MINUTES OF PROCEEDINGS

Part 2 for THURSDAY, February 28, 1957.

The Standing Committee on Banking and Commerce, having met at 11.00 a.m. and having completed consideration of Bill No. 106, resumed its proceedings to consider Bill No. 158 at 11.30 a.m. Mr. J. W. G. Hunter, Chairman, presided.

Members present: Messrs. Ashbourne, Balcom, Bell, Benidickson, Blackmore, Cameron (*Nanaimo*), Cannon, Dumas, Enfield, Eudes, Fraser (*St. John's East*), Hanna, Henderson, Hollingworth, Huffman, Hunter, Macdonnell (*Greenwood*), Michener, Mitchell (*London*), Pallett, Philpott, Richard (*Ottawa East*), Richardson, Robichaud, Stewart (*Winnipeg North*), and Weaver. (26)

In attendance on Bill No. 158: From the Municipal Grants Division, Department of Finance, Ottawa: Mr. R. M. Burns, Director; assisted by Mr. C. H. Blair and Mr. D. H. Clark.

Bill No. 158, "An Act to amend the Municipal Grants Act", was called for consideration.

Mr. Burns was called and outlined the purpose of the Bill, being assisted by Messrs. Blair and Clark.

On Clause 1:

The witness was questioned by the Committee in detail. It was agreed to allow this clause to stand for further study by the legal officials of the Department of Finance and for their recommendations to be given to the Committee at its next meeting.

The Committee agreed that the proceedings on Bill 106 and Bill 158 be printed separately in view of the postponed consideration on the latter Bill.

Mr. Richard (*Ottawa East*) raised a question of better lighting, ventilation, and temperature control for Room 118. It was accordingly agreed that the appropriate authorities be informed of this situation by the Clerk of the Committee.

At 1.00 p.m., the Committee adjourned until 11.30 a.m., Tuesday, March 5, 1957.

TUESDAY, March 5, 1957.

The Standing Committee on Banking and Commerce met at 11.30 a.m. Mr. J. W. G. Hunter, Chairman, presided.

Members present: Messrs. Ashbourne, Balcom, Bell, Benidickson, Blackmore, Cameron (*Nanaimo*), Cannon, Crestohl, Fairey, Fleming, Fraser (*Peterborough*), Fraser (*St. John's East*), Gour (*Russell*), Hanna, Hollingworth, Huffman, Hunter, Macdonnell (*Greenwood*), Macnaughton, Matheson, Michener, Monteith, Pallett, Philpott, Power (*Quebec South*), Quelch, Richard (*Ottawa East*), Robichaud, St. Laurent (*Temiscouata*), Weaver, and Winch. (31).

In attendance: From the Municipal Grants Division, Department of Finance, Ottawa: Mr. R. M. Burns, Director, assisted by Mr. C. H. Blair and Mr. D. H. Clark.

The Committee resumed consideration of Bill 158, An Act to amend the Municipal Grants Act.

On Clause 1:

The Chairman read into the record a statement, prepared by the Department of Finance in consultation with the Department of Justice, relating to Section 2 (c)(v) of the present Act which defines "federal property". The witness was questioned thereon.

Clauses 1 to 9 inclusive were considered clause-by-clause and adopted.

The Title and the Bill were adopted.

Ordered, —That the Chairman report the said Bill to the House without amendment. (See *Third Report*).

The witness was retired.

At 12.35 p.m., the Committee adjourned to meet again at 11.00 a.m. on Thursday, March 7, 1957, to deal with private bills.

A. Small,
Clerk of the Committee.

EVIDENCE

THURSDAY, February 28, 1957.

Morning Sitting (*Continued*)

The CHAIRMAN: Gentlemen, the next is Bill 158, an Act to amend the Municipal Grants Act. We have here Mr. R. M. Burns, director of the Municipal Grants division of the Department of Finance, assisted by Mr. C. H. Blair and Mr. D. H. Clark of the same division.

Gentlemen, if it is agreeable to you I would ask Mr. Burns to outline the purport of this bill and then you may ask any questions before we proceed with the clauses of the bill.

Mr. BENIDICKSON: Mr. Burns is the director of the dominion-provincial relations section of the Department of Finance and under him the Municipal Grants Act is administered by Mr. Blair and Mr. Clark. This is a division in the department which includes relations with the provinces and now, because of this legislation, relations with respect to taxes with the municipalities.

Mr. R. M. Burns, Director of Municipal Grants Division, Department of Finance, called:

The WITNESS: Mr. Chairman, the real basic purpose of this bill is included in the provision for the elimination of the 2 per cent floor which has applied since 1955. As you recall, when these provisions were first made in 1950 there was a 4 per cent floor over which the payments were paid on federal property which was subject to grants for municipal taxes. In 1955 this became 2 per cent. The effect of this bill over-all is to eliminate this 2 per cent so in effect we will be paying grants to the municipalities equivalent to full municipal taxes subject to the exceptions in the bill which are in almost all cases the same as had been included previously. There are some minor changes but they do not affect the principle of the bill.

The CHAIRMAN: Gentlemen, are there any general questions?

By Mr. Dumas:

Q. Will you pay the tax on the assessment as fixed by the municipalities?—A. No. The tax is paid, as defined in the act, on the accepted value. In 99 cases out of 100 this is the same as the assessed value, but we do not automatically accept the assessed value as stated by the municipalities.

Mr. MACDONNELL (*Greenwood*): This bill was discussed at the resolution stage and we tried to make clear that we regard it as the feather duster when what is needed is a full housecleaning. In particular we intend to say something about the illusive and irresponsible acts of the crown corporations who tend to horsetrade. We will have something more to say as we go through the bill.

By Mr. Bell:

Q. Could we have some information as to exactly how you negotiate any contracts which you make with the municipalities, when the cheques are paid, and a general statement for information?—A. The system which has been followed in the past has been that the municipalities make an application, and

included in their application is their valuation, which will indicate to us whether they are likely to qualify under the present 2 per cent level. The practice then has been for us to send, at least in the instance of the first application, one of our assessors to the municipality whose job it is to ascertain whether our property is being assessed on the same basis as is other property in that municipality. We only concern ourselves with the assessment in that locality to see that the federal assessment is the same as the assessment on other property.

Having accepted the value for the purposes of the act, and having determined what services are being supplied to the federal government on its own behalf, the grant is then calculated and normally it is made in one payment. But in certain cases such as in Ottawa and Halifax and one or two others, where very large payments are made, we have been in the habit of making an advance payment during the course of the year because it has been impossible to calculate it at the time the taxes are normally payable.

By Mr. Macdonnell (Greenwood):

Q. Your sole inquiry is to find out whether the property is assessed on the same basis as other properties?—A. Yes.

Q. You do not concern yourselves with finding out whether or not the property in X municipality is being assessed on the same basis as in Y municipality?—A. No. We are only concerned with the assessment in the particular municipality. We are not interested in any equalization of assessment in any province or area.

Q. Then the phrase "effective rate" which is contained in the act means the rate that in the opinion of the minister would be applicable.—A. That is referring to the tax rate, not the assessment. It has to do really with a few special cases. I think we could explain that in some detail now or later.

Mr. ENFIELD: Could we have a statement as to what is meant by federal property. I notice that there is a definition section here but it is very complicated. Do you wish, Mr. Chairman, to leave that until we reach the clause?

The CHAIRMAN: Yes.

By Mr. Michener:

Q. Is the basis of assessment throughout Canada reasonably uniform so that this act can operate and be applied in all the provinces, without too much difficulty?—A. That is practically the basic reason why we use our own assessment, because they are completely non-uniform. We have to stay within the pattern established in a particular municipality.

Q. You are not seeking uniformity but are reserving to the minister the right to say what the basis of assessment is? You are seeking to assess the federal property in conformity with other properties in the locality?—A. Yes. We are seeking equal assessment within the municipality.

Q. If you allowed the municipal assessor to have a free hand he might think federal property was a little more valuable than adjoining property?—A. Yes. Generally speaking now, since the act has come into force, we have very little trouble. In the case of Ottawa I think we have only two or three properties in dispute.

Q. Could you not find any other way of dealing with it than this right of absolute power of the minister?—A. Do I understand that you are referring to this new effective rate?

Q. Yes.—A. That has to do with a special case. In almost every case we will accept the rate of the municipalities. There are a few municipalities

where special circumstances require some discussion. Halifax is a typical example where there are two rates, one for commercial property and one for residential property. It requires some judgment as to what class property comes under.

Q. In practice under this act would you invite the municipality to give you an assessment notice just as it does to others?—A. We usually receive the assessment notice, although we do not require it. We require that they file an application and give us the assessed value of the property which amounts to the same thing.

Q. And from that point you endeavour to determine whether or not there has been a fair assessment?—A. Yes.

Q. And the minister has the discretion to fix the accepted value. Have you calculated the additional amount of money which will be paid to the municipalities under this bill as compared to last year?—A. We anticipate it will be just about doubled, but we do not know, frankly, what the accepted value of our property is in all the municipalities.

Q. What is the total grant paid this year?—A. About $9,500,000. We anticipate that it will run somewhere between $16 and $20 million, probably $18 million or $19 million.

Q. That is on the basis of the definition re property contained in the amending bill.—A. Yes.

Q. Which excludes all crown corporations?—A. Crown corporations are not concerned in this bill at all.

Q. Will you tell us what is the practice in respect to real estate and crown corporations, and how the crown corporations are taxed now or how the equivalent of the taxes is paid by them. Is there a uniform practice?—A. No, there is not, sir. There are a great variety of practices. It is complicated by the fact that there are a great many statutory exemptions. The C.N.R. has statutory exemptions given to it by the provinces. These statutory exemptions refer back to some of the old private railway companies that have since been taken over by the existing company.

Mr. BENIDICKSON: The C.P.R. also has similar exemptions, which makes it very difficult.

By Mr. Michener:

Q. Take for an example a corporation such as Polymer.—A. Polymer pays full taxes.

Q. They pay full taxes?—A. Yes, almost, if not completely.

Q. They do that voluntarily, do they?—A. Yes. There is no legal liability upon a crown corporation to pay taxes.

Q. Are there any that do not pay taxes, other than those that are exempted by provincial or municipal law?—A. As far as I know, sir, there are none that do not pay something. There are some that do not pay the equivalent of full taxes.

Q. What I am driving at, Mr. Chairman, is that here is a bill which accepts an obligation, in respect of federal property, to pay the equivalent of the normal municipal taxation. But, it does not bring all federal property in. It leaves out the properties of the crown corporations. Apparently the principle, that they should pay the same rate of tax, is acceptable, and I wondered why it was not possible to bring them all under the same law rather than leaving it to the discretion of the corporations to make their own deals.

Mr. BENIDICKSON: That problem is being considered as a result of the elimination of this 2 per cent floor. But it is very complicated because of the difference in the roles of these corporations. As I say, if you do anything

about the C.N.R., it has to be considered on the basis of the relationships of its competitor and what the C.P.R. has in the way of statutory tax exemptions. You have the same thing in the nature of the National Harbours Board. The functions of these crown companies are so different that it takes a long time to arrive at some firm decision. But, it is being studied as a result of this bill.

Mr. MICHENER: Yes, and the principle on which it is being studied is that all crown property, which is receiving municipal services, should pay, even though they are not directly owned by the crown. When that is accomplished, it will remove, it seems to me, the inconsistencies or weaknesses of this present legislation.

The CHAIRMAN: It is a principle that has not been recognized in the provinces yet.

Mr. MICHENER: The province of Ontario has been paying taxes on provincial property since 1952, I think, but I am not just sure how far it goes.

It seems to me that we have a sound principle in removing exemptions, which the crown has had from time immemorial, with respect to paying for the services which the municipalities supply. We ought to try to make it as inclusive and complete as possible. I have been looking at the bill from that point of view. We are told that some crown property, which is in all respects the same as that owned directly, but which is owned by a corporation, is dealt with by negotiation, or by the application of what the directors see fit to do.

The CHAIRMAN: I think it is just part of the problem that has baffled them so far. It would be quite difficult to work out some formula of taxing the Ontario Hydro in every municipality, and so on. It would be a big task. I am not saying it cannot be done. It probably will be done eventually.

Mr. MACDONNELL (*Greenwood*): I think this has a bearing on this issue, and if I may be allowed to read from the definitions in Clause 1, that which appears on the top of page 2—

The CHAIRMAN: I wonder, Mr. Macdonnell, if we could have the detailed questions when we come to the sections?

Mr. MACDONNELL (*Greenwood*): The only thing is, we are discussing the principle applied to crown corporations, and if I might be allowed to read this I think it has a bearing on it.

The CHAIRMAN: We are discussing the principle applied to crown corporations, but actually it has nothing to do with this bill, has it?

Mr. MACDONNELL (*Greenwood*): I think if I read this subclause, Mr. Chairman, you may think that it has.

If I read it correctly, it does not include: "real property under the control management or administration of the National Railways as defined in the Canadian National-Canadian Pacific Act, or a corporation, company, commission, board or agency established to perform a function or duty on behalf of the Government of Canada."

The CHAIRMAN: Yes.

Mr. MACDONNELL (*Greenwood*): That seems to me, by this wording, to exclude crown corporations. Is that the way you read that?

The CHAIRMAN: Yes.

Mr. MACDONNELL (*Greenwood*): They exclude them.

The CHAIRMAN: Right.

Mr. MICHENER: I have been thinking about the same difficulty that we have been discussing here, and how it can be dealt with. This bill is a

bill to permit the payment of grants from consolidated revenue. It is obviously proper that these corporations, if they are made subject to the same principles, should pay a municipal tax from their own funds. So, you cannot just put them in the bill and say that the Minister of Finance will pay their taxes for them out of consolidated revenue. I take it that that is the problem—how to deal with them. That is what is under study.

The CHAIRMAN: Yes, although I think it is pretty well accepted now that there is a general principle, at least federally, that crown corporations should be in a taxable position the same as ordinary corporations are, and pay income taxes, and so forth.

Mr. MICHENER: I think it is proper that they should be. I am glad to have that view confirmed here, and to hear that it is being dealt with.

By Mr. Philpott:

Q. Could we have a brief statement from Mr. Burns giving us a statement of what the provinces pay to their own municipalities in that regard?—A. It is a very long statement, Mr. Philpott, but I have it here if you care to have it read.

Q. Could we have the highlights of it?—A. The province of Ontario pays the equivalent of a general, but not school rates on its own property, including that owned by its crown agencies. It pays business taxes in the case of a crown agency operating its business on the land, and it usually pays the local improvement taxes.

Ontario Hydro pays general and school rates only on its executive and administrative property, not upon its operating plant.

It sets its own valuation the same as we do, by the Department of Municipal Affairs.

In Manitoba, the provincial utilities pay full tax on lands and buildings erected thereon. The province pays full tax on land, but nothing on buildings.

Saskatchewan pays full tax equivalent of business taxes on crown corporations, but not on those of the Saskatchewan power corporation. All the payments are based on local assessed values. It pays nothing on government properties, as such.

Alberta pays full tax equivalent on property occupied by the Liquor Control Board or Marketing Services Limited, but pays nothing on government properties.

The British Columbia Power Commission pays to the municipality three per cent of its gross revenue in lieu of property taxes. The Liquor Control Board pays actual taxes of the municipality. The province does not pay anything to any municipality other than a grant of $50,000 a year to the city of Victoria as a beautification grant.

Quebec's provincial crown corporations pay water rates, maintenance rates, and special local rates, but do not pay anything on general or school rates.

The province of New Brunswick does not pay anything except a few small local rates, but nothing on general taxes, or school rates.

The province of Nova Scotia is the same as New Brunswick, except that the Liquor Commission does pay tax equivalents on its properties.

In Prince Edward Island there are no municipal taxes paid by the provincial government.

By Mr. Fraser (St. John's East):

Q. What have you to say with regard to Newfoundland?—A. I do not think Newfoundland pays anything. There is only one municipality in Newfoundland that has a real property tax, and that is St. John's. They actually have very limited municipal responsibilities, in terms of the rest of the municipal responsibilities in Canada.

Q. No payments are made?—A. Not directly in property taxes.

By Mr. Bell:

Q. Have you any relative percentage figures? Do you have any figures available with respect to federal and provincial taxes in the provinces, of any kind, that would be helpful to us?—A. You mean in relation to what we pay and what the provinces pay?

Q. Yes.—A. I do not have anything. I would say that Ontario is probably the most complete of the provinces in their payments. I would think that they are paying in the neighbourhood of probably 45 or 50 per cent, because they do not pay school taxes. That is just a guess. We will be paying, I would think, 100 per cent on properties that we accept for taxation.

Incidentally, Ontario's exclusions are very much the same as ours. They do not pay on museums or parks.

Mr. MICHENER: Of course, Mr. Chairman, the comparison is not altogether realistic as between the provincial crown property and the federal crown property, because the provincial governments do make direct grants to municipalities, and they do have a responsibility for making grants in respect of roads, education, and other matters of that kind.

The CHAIRMAN: Two mills on residences.

An Hon. MEMBER: You are from rich Toronto.

The CHAIRMAN: That has not put much money in my pockets.

Any further general questions?

Mr. MICHENER: I was just looking at the Ontario budget, which was brought down last week, and the percentage of the total revenues that were applied to municipal grants was over 40 per cent last year, and I think will be more again this year. This is a great amount of money that is transferred from the provincial governments. I think the same is true of all the provinces. Every year this amount of money gets bigger, largely because the municipalities have not got the revenue. This is one of the sources of revenue that has been held from them all too long, but they now have the opportunity to put it into legislation.

The CHAIRMAN: I think, Mr. Michener, we are all fairly familiar with that subject.

Mr. MICHENER: I dare say we are, Mr. Chairman. That was just an answer to a question—

Mr. ENFIELD: An answer to your own question.

By Mr. Pallett:

Q. Mr. Chairman, I wonder if Mr. Burns could tell us how much the federal government has received in sales taxes from the municipalities and from boards of education? Do you know the total amount?—A. I am sorry; I have no idea.

Q. I was just wondering how that figure could be arrived at.—A. I do not imagine that anyone could tell you that. I do not suppose such a breakdown is made.

By Mr. Cannon:

Q. I just wanted to clarify this: did Mr. Burns say that the government of the province of Quebec only pays water taxes?—A. No. I said that they paid water rates, maintenance rates, such as street cleaning, snow removal, and frontage taxes, and special taxes. They pay a portion of local improvement

costs charged to the municipality in respect of local improvements on Quebec properties, but they do not pay anything in respect of the general rate or the school rate.

Q. They do not pay either the general rate or the school rate?—A. No.

By Mr. Bell:

Q. Mr. Chairman, may I ask if a dispute over whether a property is excluded from the act is handled in the same way that you negotiate a payment? In other words, does it move along until it finally has to go to the minister for a decision?—A. That is what ultimately happens. It very rarely goes that far. Ottawa is the typical example, where we have the largest problem, but we have always managed to reach an amicable settlement.

Q. There were two or three cases that you mentioned in respect to Ottawa. —A. These were property values.

Q. They were not disputes over whether property should be excluded under the act?—A. No. I would not suggest that they necessarily always agree with the final decision, but I would say that normally we reach a reasonably amicable agreement.

Q. You would think that many municipalities would press, to the last minute, a proposal in respect to the inclusion of a property under the act?— A. I think they probably do, so long as there is a doubt, but I think the act is reasonably clear as to what can be included, and what is excluded. Federal property is not the only exclusion that the municipalities have difficulty with.

The CHAIRMAN: If there are no further questions—

By Mr. Cannon:

Q. To follow up with my line of thought—you said that Ontario paid about 45 per cent, if I understood you correctly.—A. I said that was the rate, because they did not pay school taxes.

Q. In respect of Quebec, what would the percentage be there?—A. I could not give you any idea at all, because these are a series of local taxes that I have no figures on whatsoever. I would not want the figure I gave with respect to Ontario to be taken with any great weight, because it is just a guess.

The CHAIRMAN: You are not trying to infer that your own province is backward, are you Mr. Cannon?

Mr. CANNON: No, I was just trying to get some very useful facts.

The CHAIRMAN: If there are no further general questions we will get on to the bill.

By Mr. Mitchell (London):

Q. How many municipalities are there where they have this varying assessment arrangement as between different classes of property such as residential and industrial?—A. Not very many.

Q. As I understand it, this section is designed only for the specific municipalities, is that right?—A. That is where we will have to make use of the effective rate. The rate in every municipality will be the actual rate that is applied to any property. Generally this will be the one rate. In Quebec, for instance, there is more than one rate. There is a rate sometimes for corporations, and a rate for individuals. Usually they are not very far apart. In such a case we would take the status of a corporation. We would have to make a selection there. But, there is no rule that you can write into the act. That is why a discretion had to be taken.

Q. Are there any municipalities in the provinces, other than Quebec, that have a similar situation?—A. Halifax is the biggest example.

Mr. ENFIELD: Mr. Chairman, I wonder if we could now have this review of the definition of federal properties, because this definition here is quite complicated? Perhaps he could give us the meaning, and outline what is considered to be federal property?

Mr. MICHENER: I wonder, Mr. Chairman, if we could deal with Clause 1 of the bill, which is the most important one, by breaking it down into the individual subclauses, and we can get our explanation as we go through them, as to what these exemptions are?

The CHAIRMAN: I read the clause, and it did not seem very ambiguous to me.

Mr. MICHENER: There were questions I wanted to ask with respect to the individual subclauses Mr. Burns could give his explanation in respect to the subclauses one by one, then we could ask our questions.

The CHAIRMAN: Gentlemen, we did pass clause 1, but without prejudice, let us get back to clause 1. Are there any questions you want to ask on it?

Mr. MICHENER: You mean by clause 1, "The Effective Rate"?

The CHAIRMAN: Clause 1 covers practically everything.

Mr. MACDONNELL (*Greenwood*): If that is your ruling, Mr. Chairman, I would like to ask about sub-paragraph 4. I would like to ask about "a self-contained defence establishment". I am reading from the explanatory note. It would exclude self-contained defence establishments; and taken in conjunction with the explanation given at the end of paragraph (c) it would allow two classes of crown property in such establishments to qualify for payments, that is, (1) land exclusive of improvements, and (2) dwellings occupied by federal employees or members of the Canadian forces. Might we have a word of explanation from the witness as to how that would work out, and if it would exclude self-contained defence establishments?

The CHAIRMAN: Like Camp Borden!

The WITNESS: Camp Borden is typical of a self-contained defence establishment. There are 13 or 14 principal ones in Canada. They would be completely independent of the municipality for their own services. They would provide their own sewers, water supply, and everything else. We do not feel it would be logical to pay normal grants in the municipalities where we have in many cases up to 95 per cent of the total value of the property.

By Mr. Michener:

Q. Might we be given a list of them?—A. There is Shearwater in Halifax; Camp Borden; Camp Petawawa; the Trenton Air Station; Centralia in the township of Stephen in Ontario; Shilo in Manitoba; Rivers, in Manitoba; Dundurn in Saskatchewan; Camp Wainwright in Alberta; Chilliwack in the township of Chilliwack in British Columbia, and there are others.

The CHAIRMAN: Obviously, Gagetown.

By Mr. Bell:

Q. Gagetown is operated under a separate arrangement, is it not?—A. Yes. It is specially referred to later; and also Oromocto which comes under a separate act. By an agreement between the province of New Brunswick and the Department of National Defence, it is being handled outside this act entirely.

By Mr. Macdonnell (Greenwood):

Q. It excludes self-contained defence establishments, but in conjunction with paragraph (c) it would allow two classes of crown property in such

establishments, that is, land exclusive of improvements, and dwellings occupied by federal employees or members of the Canadian forces. It is from such establishments that I am taking exception.—A. It is the land under such establishments.

Q. Would that apply to Camp Borden?—A. Yes; the land at Camp Borden would be subject to a grant. The reasoning behind it is that it is taken out of taxation. Therefore there must be recompense due to the municipality.

Q. And would it be the same with regard to dwellings occupied by federal employees at Camp Borden?—A. No. Under Ontario law they are taxable as tenants; therefore in that case the municipality would try to collect from them as taxable tenants and we would pay a grant to the municipality in respect to those people.

Q. I thought they got nothing from Camp Borden?—A. No, they get quite a substantial grant.

By Mr. Pallett:

Q. What is the situation with respect to air force runways? Are they excluded?—A. They are excluded under the original definition of the act which makes federal property include improvements to land for shelter of persons and property. In other words, engineering works—and airports are a typical example—are not taxable, and they do not rate as federal property for this purpose. We would pay on the land under the runways and on hangars and so forth, but not on the runway itself.

Q. What might be the remedy for the township of Toronto which would not collect taxes for Malton airport, if the land were transferred to the Department of Transport? There would be a municipal loss of taxes there, quite conceivably.—A. The land under the runways would be taxable but not the runways themselves. I do not know on what basis it is done there.

By Mr. Robichaud:

Q. And what about warehouses at public wharves?—A. Warehouses, yes, but not wharves.

By Mr. Macdonnell (Greenwood):

Q. You used a phrase "land taken out of taxation".—A. In respect to special establishments the municipality loses the right to tax.

Q. It would seem to me that it would apply to a runway just as much as it would to a hangar.—A. I exclude the runway per se, but the land on which the runway is made would be included.

Q. Under the principle which you laid down, would you not need to include the runway as well?—A. The runway, having regard to the land under it, yes; it would be taxable; but not the improvement to the land on account of laying cement or whatever it might be.

By Mr. Michener:

Q. With respect to sub-clause (v) in this clause, at the top of page 2, the excluding section which deals with crown corporations, companies, and commissions, boards or agencies established to perform a function or duty on behalf of the government of Canada—what I have been trying to devise here is an amendment which would not exclude them. However, in the light of what has been said here today, I take it that we can rely on the fact that consideration of this problem is going forward actively, as Mr. Benidickson has said. In the light of what is going on perhaps it would be better to leave the matter for special attention because I do not see any way in which we could deal here with the problem in a rough and ready amendment such as would

make the property of these corporations which are not subject to a grant here taxable like that of any individual. It would run into all kinds of difficulty in the future, so I am not proposing to make any amendment.

The CHAIRMAN: I think it is something which would definitely require considerable study.

By Mr. Michener:

Q. Yes, and I merely wish to call attention to the assurance we have been given.

Mr. ENFIELD: A commission, board or agency would include the post office, would it not?

The CHAIRMAN: I would not say that the post office was an agency. I would say that it was crown property.

Mr. ENFIELD: Then what about the air transport board?

The CHAIRMAN: If they were to sit in a government building here, then it would become taxable.

The WITNESS: We use in most instances the definitions which are given in the Financial Administration Act; there are four classes of crown corporations defined. If they come within the definitions of the act then they can collect. There are schedules (A), (B), (C) and (D) but we pay on class (A) corporations only.

By Mr. Michener:

Q. In the public accounts there is a list of 24 corporations, special agencies and boards. They are all separate entities and they are established by law.

The CHAIRMAN: You should try to establish yourself in this as a member of parliament. You might be considered to be an agent of the government.

By Mr. Bell:

Q. Would it be practical to set out in the advance clauses of this bill just what you mean by "board or agency"? Would that be possible?—A. I would not like to answer that question not being a legal draughtsman. I think it might be very difficult.

By Mr. Pallett:

Q. I think it is very difficult to combine; it is certainly subject to interpretation. Officials of the department might change from time to time and give different interpretations to these things. But if it could be put in, along with a reference to the Financial Administration Act, then why not? That act is restrictive in its definitions.

The CHAIRMAN: Well, it has not caused any difficulty so far, and it has been in since the beginning; it is not new. I do not think there has been difficulty in interpreting it.

By Mr. Michener:

Q. The word "agency" is used in that respect and it also appears in the public accounts. It is very clearly defined. The thing which concerns me in this clause are the words "real property under the control, management, or administration . . ." of this corporation. It might be pretty conflicting.

The main definition says any "real property"; and after the word property, we have the words "owned by Her Majesty in right of Canada. . . ." Suppose you have an agency occupying it and therefore controlling real property owned by Her Majesty in right of Canada. Thus you have conflicting provisions because

under one section you make the land federal property; and for example property under the control of the Air Transport Board would be excluded under sub-clause (v) so there would be a conflict.—A. I suppose you could visualize a case where a conflict might arise. I have had no experience however with any such conflict and I have not given a great deal of thought to the wording of it. This was drafted when the original draft was written and it has been operating since in that manner. I would not say there have not been disputes about what crown corporations should pay, but we have not had any trouble about what were crown corporations and what were not.

The CHAIRMAN: I think that a crown corporation is a pretty clear thing. But when you get into an agency, you might have something which was on the border line.

By Mr. Michener:

Q. I am satisfied with the words which describe these entities; but you might have one of these corporations occupying land with respect to which you make a grant under this act; and then this clause we are dealing with would appear to exclude part of that property, where it says that it is under the control of the crown corporation.

The CHAIRMAN: It not only appears to exclude it—I thing that it does!

Mr. MICHENER: I do not think that it is intentional. For example, suppose that the West Block is the subject of a grant. If the Canadian Broadcasting Corporation were to occupy the top floor, how would you deal with it? Would you exclude the top floor, or would your grant be on the whole property?

The CHAIRMAN: I think we must ask the witness. I do not know.

The WITNESS: In that case it would still be administered by Public Works and we would continue to include it. Any arrangement made would have to be worked out by the C.B.C. and Public Works as between themselves.

By Mr. Michener:

Q. The wording seems to be too broad but I cannot suggest any improvement. I simply draw it to your attention.

By Mr. Enfield:

Q. What about the building occupied by the Department of Transport?—A. This apparently is one that they are concerned with at the moment. I think that telecommunications are an emanation of the C.B.C. That is my understanding; and in that case it would come under any grant made through them.

Q. What about the building occupied by the Department of Transport?—A. I cannot give you a ready answer offhand.

By Mr. Stewart (Winnipeg North):

Q. Would this legislation exclude the National Museum in Ottawa?—A. Museums are specifically excluded under the definition of federal property. Sub-clause (ii) includes a "park, historical site, monument, museum, public library, art gallery or Indian reserve".

Q. What arrangement do you have with respect to the city of Ottawa in that regard? Do you pay them a grant?—A. No. It is excluded completely. That is pretty much in line with normal municipal policy. Municipalities do not normally tax museums, parks, and that sort of thing.

By Mr. Michener:

Q. I am still puzzled about this question of an apparent conflict between properties owned by Her Majesty in right of Canada, and then, coming to subclause (v) "real property under the control, management or administration of the National Railways" and so on. These crown corporations apparently would have to have title if they have control, management or administration, and then they are excluded. Is there not a conflict there and should it not be resolved?

Mr. RICHARDSON: I would suggest that Mr. Michener read the paragraph more closely. The description "under the control, management or administration" refers to the national railways as defined in the Canadian National-Canadian Pacific Act. I think that is the cause of his being puzzled.

Mr. PALLETT: I suggest that you read it again yourself.

Mr. RICHARDSON: It says "real property under the control, management or administration of the national railways..."

The CHAIRMAN: And it goes on to say "or a corporation, company, commission, board or agency..."

Mr. RICHARDSON: They also are included.

The CHAIRMAN: My interpretation would be—and I am not posing as an authority—that down to the word "act" it is under the control, management or administration of the national railways as defined in the Canadian National-Canadian Pacific act. It may be that you should have a semicolon there. I do not know.

By Mr. Michener:

Q. It must be under the control of a corporation, company, commission, board or agency; but I think that the ownership would be the real test rather than the control or management.—A. I think your difficulty here would be with the property of the Canadian National Railways where a good many of the lines are not owned by the Canadian National Railways but are government lines operated by the Canadian National Railways. But on those lines that they do own and operate they pay taxes and they are taxable. However, in some cases they are holding lines as operating agencies of the crown and they are excluded under this clause. However, frankly speaking, I am not competent to discuss legal problems of the Canadian railways in this regard.

By Mr. Bell:

Q. I understand that the cities of Halifax, Moncton, and St. John at least are negotiating with the railways and the federal government. I do not know if it is being done through the Department of Transport or through the Department of Finance. Now where does the federal government come in? Do they come in because the C.N.R. is responsible to the Department of Transport in that respect or because of the Department of Finance?—A. It has no connection with this act. It would be purely in connection with their status with the Department of Transport.

By Mr. Cameron (Nanaimo):

Q. On this section the thought occurred to me, supposing I owned a building and a government agency decided that they wanted not to buy it from me but to rent it; would I enjoy the special privilege of not only getting a rent from the government but also an exemption from municipal taxes? —A. No. You would be taxable as the owner.

Q. Then supposing after I had rented it it came under the control and management of a corporation?—

The CHAIRMAN: That does not prevent it being subject to municipal taxes under the municipal act.

The WITNESS: That is right.

By Mr. Macdonnell (Greenwood):

Q. In connection with the point raised by Mr. Richardson, it does seem to me there is a question. I am inclined to agree with you that we do not need to read in the words in line four at the top of page two "or under a corporation, company, commission". That is not my reading. It seems to me it is a possible reading. I do feel that it is in need of clarification.

The CHAIRMAN: If you want to take an explanation of real property under the control, you could probably bring in any property in Canada because they are all under the control of the Department of National Revenue. Are they not?

Mr. MACDONNELL (*Greenwood*): I do not myself think that the words under that paragraph contain the meaning which has been suggested.

The CHAIRMAN: So far it has not caused any trouble. While I know things do occur sometimes I would be inclined to leave it alone. It has been working. That is the answer.

By Mr. Pallett:

Q. How many municipalities have ever gone into the matter with the department? If they send in their claim for municipal taxes and you adjust it do they usually accept your adjustment?—A. In most cases. On one or two occassions we had a slight argument with Ottawa on a couple of points which were resolved. In most cases we reach a mutually satisfactory decision.

By Mr. Macdonnell (Greenwood):

Q. There are a lot of the new municipalities which will be brought in?—A. Yes. Eight or nine hundred.

Q. There is a chance that the lawyers will get into this on questions of interpretation.

By Mr. Robichaud:

Q. What about lighthouse properties?—A. If the lighthouse is within a municipality, which I understand it very rarely is—

Q. A lot of them are.

The CHAIRMAN: The ones on the mainland.

The WITNESS: There would be no reason why they would be excluded.

By Mr. Robichaud:

Q. The home occupied by the lighthouse keeper?—A. That would definitely be included.

Mr. PALLETT: In connection with Mr. Enfield's suggestion with respect to paragraph 1, what is the difficulty in that?

The CHAIRMAN: I do not like putting wording into an act unless it is absolutely essential and unless a great deal of study has been given to it. You could easily create a new problem.

Mr. ENFIELD: Can we have the assurance that in view of the fact that eight or nine hundred new municipalities are coming in that the department has been very careful in weighing that fact against the wording of the section. That is to say, they have had no trouble to date, but that is no criterion.

The CHAIRMAN: It is very easy to take a stab at mending one of these things and then find that you have to go deeper into it. It is not a thing I would care to have inserted without considerable study.

Mr. ENFIELD: I agree. If we could have the assurance that this has been carefully studied by the department—

The WITNESS: This has been here since 1950. I have frankly given no thought to it before answering these questions because the question never arose before.

Mr. MACDONNELL (*Greenwood*): I am wondering whether it would be sensible here to raise the question for the draftsman and ask him to take a look at it. I am suggesting that the introduction of (IV) may raise problems which have not existed before. It will not be a great burden to anyone to have this looked at again.

Mr. RICHARD (*Ottawa East*): Perhaps we might adjourn in order to give time to Mr. Burns to think over this subsection, and then we could have it discussed at the next meeting.

Mr. MICHENER: In the words used in the beginning of the section "real property owned by Her Majesty in the right of Canada" there is a question of ownership there and it includes any buildings owned or occupied. I would think that the exemption should be consistent and ought to be exemption of property owned by these corporations or perhaps owned and occupied.

Mr. BENIDICKSON: Would you leave this with us. We do not have the legal representative of the department here. I think if Mr. Samuels and the representatives from the municipal grants section take a look at the suggestions offered here they might amend it, if they think it necessary.

Mr. MACDONNELL (*Greenwood*): Would we leave the section open?

Mr. BENIDICKSON: No. We could amend it in committee in the house.

Mr. MACDONNELL (*Greenwood*): I am not sure whether or not Mr. Benidickson is proposing that we pass this now. My feeling is that it should not be passed at this time.

Mr. BENIDICKSON: That is fine if we are to have another meeting.

The CHAIRMAN: I would rather see this amended in committee of the whole if necessary after some further study. Could you give us an undertaking, Mr. Benidickson, to have this studied so that if it is felt necessary an amendment could be introduced in committee of the whole.

Mr. MICHENER: Suppose we reserve this until our next meeting and in the meantime get back on the bill.

The CHAIRMAN: If we are not going to pass this bill today I suggest that we adjourn until next week. In the meantime perhaps the department can have a study made of this.

We will adjourn until Tuesday, March 5th at 11.30 in the morning.

EVIDENCE

TUESDAY, March 5, 1957.
11.30 a.m.

The CHAIRMAN: Gentlemen, we have a quorum.

It will be recalled that at the last meeting the question was raised as to the wording of subparagraph (v), at the top of page 2, of the bill. There were several suggestions as to why it should be amended. Since that time, this subparagraph has again been submitted to the Department of Justice, and they have given their view in respect of it.

I have here a statement which I borrowed from Mr. Benidickson. Is it all right if I read it?

Mr. BENIDICKSON: Yes. I have also given the statement to one or two other members of the committee.

The CHAIRMAN: Yes. It says:

> Certain committee members contended that the wording of the exception for crown companies or agencies of the Crown in section 2(c)(v) is too wide, that is, it permits properties to be excluded on which grants should, by a reasonable interpretation, be paid under our act. They suggest that the wording might be changed with respect to crown companies so that instead of reading 'real property under the control, management or administration of a corporation, company, etc.' the provision should read 'real property owned by a corporation, company, etc.'. On examining this with the Department of Justice we find that it would be incorrect in most cases to describe the property of crown companies as property 'owned by' such companies, because the property is actually owned by Her Majesty in law and is only administered by the company. A careful reading of the present wording shows that in fact the property to be excluded is restricted to a narrow compass.
>
> For property to be excluded under this section, the corporation, commission or agency must control, manage or administer the property and to do that it must hawe power to hold real property, which power is only held by a restricted group of crown companies or agencies such as the Canadian Broadcasting Company and Central Mortgage and Housing Corporation. The fact that a crown company occupies or uses certain property would not mean that the property is excluded by this exception. For example, grants are being paid under this act on account of the National Film Board, and Defence Research Board. The requirement as it is written is that the corporation, etc., must be established to perform a function or duty on behalf of the government of Canada. Thus property administered by a government department would not be excluded because the government department is an integral part of the government and is not 'established to perform a function... on behalf of the government'.
>
> As an alternative to the present wording, consideration was given to excluding specifically the property administered by the companies, boards and agencies listed in schedules B, C, and D of the Financial Administration Act. This method cannot be adopted successfully

> because some crown agencies not listed in the schedules do administer their own property and make their own grants in lieu of taxes and, consequently, should be excluded under our act. An example is the Industrial Development Bank. On the other hand, not all the corporations and agencies listed in schedule A of the Financial Administration Act (this is the group comprising the boards whose properties are generally considered as federal properties) should qualify for payment under our act. For example, the Board of Grain Commissioners administers its own property and pays its own grants.
>
> The case of the National Railways is an exceptional one as some of the property, although held in the name of the Crown, is an integral part of the railway system and cannot be separated. Also there are numerous exceptional statutory exemptions given to various railways. These exemptions should not be interfered with by an act of this nature.

The memorandum is brought forward by the Department of Finance, after discussion with Justice Department. They feel that as long as we are going to exclude certain crown corporations, boards and agencies which, as is recognized by the principle, should be brought in under the general taxation principles, but which, due to the problem involved, and the requirement of further study, are not being brought in here, and as long as we are making these exclusions, then this wording is satisfactory for that purpose.

Mr. FLEMING: Mr. Chairman, is there any objection from the Department of Justice to inserting in line one on page two the word, "ownership" to make it alternative whether the real property is under either the ownership, control, management or administration of the C.N.R., or any of these other corporations or commissions which are established to perform a particular function?

The CHAIRMAN: I would not think that it would make much difference, but does it add anything to it?

Mr. FLEMING: I wonder if it would not contribute something in respect to meeting the problem that is dealt with in Mr. Benidickson's memorandum.

The CHAIRMAN: I do not think it adds anything at all to it, because if it is under the control, management, or administration, surely that would include property under ownership?

Mr. BENIDICKSON: As was pointed out at the last meeting, this thing has worked very well since 1950.

Mr. FLEMING: Ordinarily the words, "control, management or administration" would not include every case of ownership where you have ownership vested in a particular corporation; but perhaps under some arrangement with another crown corporation, control, management or administration is in still another body.

The CHAIRMAN: If the ownership is in the Crown it is taxable, and is not included in the exemptions. That is, it is not included in the exemptions, unless you bring it under the control, management or administration of the railways, and so on.

Mr. MICHENER: Mr. Chairman, the interpretation, which is given in this memorandum is along the line of my thoughts on this matter; at least it is in accordance with what I think should be the case. It rather narrows the—

Mr. BENIDICKSON: It narrows the exemption instead of making it wider.

Mr. MICHENER: Yes. To that extent it is better than the change we suggested last meeting. That is the way it appears to me. If the department goes on, as it has assured us it will do, with its review all these agencies and corporations of the Crown could be assimilated to the position that is taken

in this act, so that they will pay full municipal taxes, then it seems to me that it would be just as well if we did not attempt to upset it, as it is interpreted here, in a way that is preferable to what we have been suggesting.

The CHAIRMAN: I would not like to advocate a blind subservience to the views of the Department of Justice—they can be wrong the same as anyone else, but I think, in this case, their opinion seems to be reasonable.

Mr. BENIDICKSON: Mr. Burns said they had no trouble with it over a number of years. I think that is something that will appeal to the committee.

Mr. MICHENER: I do not know if it is reasonable, but the practice they follow is a practice that appeals to me, because it narrows the exemptions from the bill rather than broadens them, and that is what I wanted to do. I want them to get all the taxes they can from the property, whether it is owned by the Crown or not.

The CHAIRMAN: That also applies to the boards or agencies.

Mr. MICHENER: I do not quite follow the reasoning of this first sentence in the second paragraph of the statement which was read, Mr. Chairman—"for property to be excluded under this section, the corporation, commission or agency must control, manage or administer the property and to do that it must have power to hold real property,—". I do not know that that follows, but if the act is being interpreted that way, we have no real cause for complaint.

The CHAIRMAN: I must say that that is the only sentence there that I did not accept holus-bolus. I do not think that necessarily followed.

Mr. BENIDICKSON: I would agree.

The CHAIRMAN: Mr. Burns says that he has an explanation in regard to that, if you care to hear it.

Mr. R. M. Burns, Director of Municipal Grants Division, Department of Finance, called.

The WITNESS: As I understand, from the Assistant Deputy Minister of the Department of Justice, many of these companies are specifically, in their act, given the power to hold property, although the property actually is legally in the name of the Crown. They do not actually own it, but they do have the power to hold it and administer it. Some other organizations actually have no property at all. It is held just as federal property, and it is operated and administered by the Department of Public Works.

Mr. MACDONNELL (*Greenwood*): Mr. Chairman, there was one other point raised that I would just like to be sure of. The suggestion was made that possibly in line four on page two the "of" should appear after the word "or". In other words, "—under the control, management or administration of the national railways as defined in the Canadian National-Canadian Pacific Act, or 'of' a corporation, company, commission, board or agency—". I rather inferred from what has been said—

The CHAIRMAN: They interpret it that way anyway.

Mr. MACDONNELL (*Greenwood*): I rather inferred from what has been said that it would be better to leave it as it is, but I would just like to make quite sure that that has been considered, and that is the view.

The CHAIRMAN: I take it that that is the view.

Mr. FRASER (*Peterborough*): Mr. Chairman, in regard to the Royal Canadian Air Force renting a piece of property in a building, they would in that way, of course, pay the real estate branch. Then, there would also be another tax imposed on any business that rented that property. That would be eliminated under this clause, would it?

The CHAIRMAN: This does not, as I understand that, deal with business taxes; it deals with real property taxes.

Mr. FRASER (*Peterborough*): That would be eliminated?

The CHAIRMAN: Yes.

By Mr. Michener:

Q. Does Mr. Burns have a list of the corporations, agencies, companies, commissions, or boards which are excluded by the act?—A. These are the companies that are not coming within the workings of this act: the Atomic Energy of Canada; the Bank of Canada; the Board of Grain Commissioners; the Canadian Arsenals Limited; the Canadian Broadcasting Corporation; the Canadian Farm Loan Board; the Canadian National Railway; the Canadian Overseas Telecommunications Corporation; the Central Mortgage and Housing Corporation; the Director of Soldier Settlements; the Eldorado Mining and Refining Company; the Federal District Commission; the Industrial Development Bank; the National Battlefields Commission; the National Harbours Board, and the National Research Council. We do have a special arrangement with the National Research Council in Ottawa whereby we take their properties into the general grant there. The Northern Transportation Company, the Northwest Territories Power Commission, the Polymer Corporation, the St. Lawrence Seaway, Trans-Canada Air Lines, and the Director of Veterans Land Act.

By Mr. Fleming:

Q. May I ask if all those mentioned now pay municipal taxation?—A. They all pay something with the one exception—the National Battlefields Commission, which holds practically nothing but park lands. I would not say they were all paying on the same basis, but they all make some contribution. They do not pay municipal taxes per se.

Q. What is the scope of the variation in respect of the grants that they make in the municipalities?—A. It is fairly complicated, but I would say that it ranged from 100 per cent in the case of the Polymer Corporation, who pay full municipal taxes, down to as low as 15 or 20 per cent, perhaps in respect of the National Harbours Board.

Q. Does each stand on its own merits?—A. Yes. They all act on their own behalf. They take independent action on their own, under an instruction that was issued some years ago by the then Minister of Finance, which said that they should make some arrangements with the municipalities with respect to making some payments.

By Mr. Michener:

Q. Is that directive available so that we could see just what it said?—A. I do not know that it was ever a formal directive. I think it was a rather informal instruction. Perhaps it was included in a budget speech.

Q. Mr. Chairman, perhaps that is the answer to interim problem. Until the position of these various corporations has been considered, perhaps the Department of Finance would reconsider the directive given to these corporations, commissions and agencies, advising them to bring this into this principle as it is under the new bill.

Mr. BENIDICKSON: That is what I told the committee was being done, because of the new principles of this bill in respect of what is called federal property. I suggested that the Minister of the Deparment of Finance would be obliged to review the position of the crown companies, and I indicated that it was a very complicated thing, which would take some time to work out. I indicated that it might be possible to take all of these entities on exactly the same basis, but that is the natural result of the provision that we are studying here.

Mr. MACDONNELL (*Greenwood*): Could any reason be suggested, which never has been suggested here, that a crown corporation, which is under this control, management, or administration, etc., should be treated differently, and should have special treatment?

Mr. BENIDICKSON: I thought that I gave one example of that at the last meeting with respect of the position of the Canadian National Railway. I indicated that all railways, due to certain provincial legislation, have some statutory exemptions from the normal taxation. I said that it would be very difficult to put something in this act that would affect the Canadian National Railway, when its chief competitor, the Canadian Pacific Railway, is probably exempt in various provinces from provincial taxation.

Mr. MACDONNELL (*Greenwood*): I do not want to press what Mr. Benidickson has said, but could this question be asked: apart from such statutory exemptions, as he has mentioned, could we take it that this is being reviewed in the sense that a crown corporation should behave as the department is behaving in respect to Crown property which is owned, controlled and used for government purposes?

Mr. BENIDICKSON: Yes, that was the point which I made. Because we are doing that on normal federal government property, it is natural that the department would now look again at the practices of the crown corporations. But it is embarrassed by the different roles that these corporations have, and their different contributions to the communities in which they have property.

Mr. MICHENER: Mr. Chairman, I would like to make a further point. As this is the time of year that many municipalities are dealing with taxes, it seems to me that it would be desirable for the Department of Finance—which gave a directive, instructions, or made a suggestion some years ago, as a result of which the corporations have been negotiating taxes in the intervening years—while waiting for a full review, that they put the principle of this bill before the boards of directors of these corporations, or the managers of the agencies, so that when they negotiate this year's tax arrangements with their various municipalities, they will come as near as they can, in respect of the allowances that Mr. Benidickson has referred to, to the position the the Crown is properly taking in respect of this bill. It seems to me that that would solve a lot of the problems arising out of the bill.

Mr. FLEMING: May I ask what is required in order to equate, in general, the tax positions of these crown corporations with the position of the Crown in respect of the bill? Would it simply be a change in the terms of a directive of the Minister of Finance, under which they are now making more or less limited payments, or is any amendment in the legislation pertaining to the various crown corporations required for the purpose?

The CHAIRMAN: Where a crown corporation pays less than the full normal taxes, I do not think it is an arbitrary decision on their part to pay less. It is because they have a reason for paying it; either they are providing some of the services, or they are making some contribution, or something of that sort. They do not just say, we are a crown corporation, and we will pay you something, but we will only pay you 25 per cent. It is based on some line of reasoning.

Mr. FLEMING: That, I am afraid, does not touch my question. I am wondering what is required. I have no doubt about what has just been said, and that it does apply in the case of many of these situations. To arrive at a conclusion, I suppose one would have to look at them all. We have already been told that each one, as I understood, is to stand on its own merits. I am wondering what is required, from the legal point of view, to equalize the position. Is it something in the way of a new directive, an amending directive on the part of the

Department of Finance, or is it something that must be done in respect to the legislation under which these crown corporations are respectively operating?

The CHAIRMAN: I do not think that we can expect Mr. Burns to give a legal opinion as to what the act should be.

Mr. FLEMING: I think we should give him an opportunity to make a comment on it.

Mr. MACDONNELL (*Greenwood*): Just before he answers that, it has been indicated to us, as I understood it, that at one stage there was something in the nature of a directive from the Minister of Finance which, as I understood it, has practically said: go ahead and do the best you can, do the best trading job you can. Certainly, from the recent press dispatch, it looks as though it has been horse trading of the rankest kind. Now, I take it that we want to know now whether there is going to be a yardstick by which the municipalities will not be left too much at the mercy of the crown corporations, which I think has been the situation in the past.

Mr. BENIDICKSON: Mr. Fleming used the word "equate". That, of course, is the difficulty. The companies all have different objects. The railways, for instance, have never been taxed on certain types of assets like tracks and ties, and things of that kind. They might be taxed on an office building within a municipality. Now, take a corporation like the Canadian Broadcasting Corporation. This is the problem: you have to consider whether or not the CBC is going to be taxed on something in the nature of engineering structures like a tower, or apparatus. Then again, some of these crown organizations provide municipal services that a taxpayer normally expects to receive from the community, and it is provided by the Crown. I think the provost services would be an example of that. Some of them have their properties so remotely from the centre of the community that they really do not get much benefit from that municipality. These are things that have to be looked at specifically as a result of the principle in this bill. But, an earnest attempt is going to be made to bring harmony in this matter.

Mr. FLEMING: Mr. Chairman, that is interesting, and I think we understand it. But, it still does not touch the question. If the result of this review is that some change, in all fairness, should be made in the present scheme of payments made to the municipalities by these respective crown corporations, then what is required to bring about the change? Is it merely an amendment in the directive from the Minister of Finance, under which they have hitherto been making their payments, or is some amendment necessary in the legislation, under which these respective crown corporations are making their payments, required for the purposes of that?

Mr. BENIDICKSON: Frankly I do not know the answer to that. Perhaps Mr. Burns does. I think it will require individual consultation with the crown entities involved.

By Mr. Fleming:

Q. Could we hear any comment that Mr. Burns has to make on the subject, according to whatever view he has at the moment?—A. I could not give you any information of any significance, because I think it is a purely legal matter. But, my own view is this: there is no legal obligation upon a corporation, as I understand it, to obey a directive. In other words, they can follow the directive, if they wish, or make payments in the way they like. But, to do what you suggest, which would require the corporations to follow the terms of this amended bill, I think would require an amendment to each individual act setting up the corporations.

Q. Otherwise the increased payment to the municipalities by the crown corporations continues to be, as it is legally now, merely an act of grace?—A.

Yes. As a matter of fact, I think inasmuch as nearly all crown corporation properties are held by the Crown, it would have to be an act of grace under any circumstances, because I do not think any act passed here could overrule section 125 of the British North America Act.

By Mr. Michener:

Q. I wonder if Mr. Burns has the details of the arrangement of the Canadian Broadcasting Corporation in respect of its properties? It is fairly representative, and a widely acting corporation.—A. We have some information on that, but I think that I should make it perfectly clear that it is only information that we have gathered, and has no significance other than that, because we have nothing to do with the Canadian Broadcasting Corporation. It is out of our field.

Q. But if in effect you have information as to what they have done, and what they are paying now on their properties, that would be a good illustration of the present situation.—A. I would like to emphasize the fact that this is the only information that we have, and I cannot guarantee its accuracy, shall I say. In the present year the corporation has undertaken to pay the equivalent of full taxes, and will follow closely the Municipal Grants Act as far as possible.

Q. So that it is coming in line with the principles of this bill?—A. Yes.

By Mr. Winch:

Q. Why should they not be included, the same as any other Crown property? If they are going to follow the principle, and I think it is the intention of the government that they follow it, why is it not made clear in the act itself?—A. I think the whole reason is wrapped up in the reason for having crown companies operating on their own in the first place. They are operating as corporate entities and, as such, I do not think their affairs are intended to be mixed up with the general affairs of the government. That would be my view of what is intended by the setting up of a crown corporation.

Q. Why should they not be included in the same principles of taxation? There is no interference in their operation as crown corporations. I do not think there is any reason for that at all. The only thing they say is that this will require further study.

The CHAIRMAN: Each corporation has certain problems. It may well be that eventually they can start making exceptions to the exceptions, and bring in some of them specifically. Others may have to be always dealt with as special cases. But, it does require study, and it is a complicated subject. They do not want to get into something and find themselves off the track.

Mr. BALCOM: Mr. Chairman, the National Harbours Board currently pays for services. Will they now be brought in under this act and their payments be broadened?

The CHAIRMAN: Not under this act, Mr. Balcom.

Mr. BALCOM: They would still pay for services?

The CHAIRMAN: They would be exempted under this.

By Mr. Michener:

Q. Referring to Mr. Burns' answer in respect of the C.B.C., he expressed it as a 100 per cent payment as from the beginning of this year. What was the previous basis of the C.B.C.'s payments?—A. They apparently made arrangements with the municipalities in which they had property.

Q. And it differed from municipality to municipality?—A. As far as we know. I have no definite information, but that is my understanding. I might say that the C.B.C. is a fairly easy one to bring under the working of this act.

Other properties, like the National Harbours Board, or the Canadian National Railways, will be much more difficult to work into the structure here.

Mr. MACDONNELL (*Greenwood*): Mr. Chairman, you used the words a moment ago, to the effect that each case would have to be treated under special circumstances, and I assumed that you meant that there was really no general principle that could very well be applied?

The CHAIRMAN: No, no, I did not say that. I said that I thought, in certain corporations, after further study, it may well be that they could be taxed on exactly the same basis, in which case perhaps they will bring in exemptions to the exemptions. That might be one method. However, I did suggest that there might be some corporations such as the C.N.R., or perhaps the National Harbours Board, that could never be brought in on a general principle, except one of fair contribution for the services it received from the municipalities.

Mr. MACDONNELL (*Greenwood*): That is an attempt at a principle.

The CHAIRMAN: I think that is a basic principle, is it not? If they are getting full services they should pay for full services. If they are not, they should pay for what they are getting.

Mr. MICHENER: Mr. Chairman, in respect to Mr. Winch's question, the real reason that these corporations are exempted is that, with respect to Crown lands, the grant is paid out of the consolidated revenue, but with respect to corporations, they have their own funds, and they will be expected to pay their tax equivalents out of their own funds.

The CHAIRMAN: It will show on their profit and loss statements, of course.

Mr. WINCH: It is still a part of the federal government.

Mr. MICHENER: Yes, but they are different accounts. If you paid the taxes of the broadcasting commission out of the consolidated revenue, it would in effect be giving the broadcasting commission another subsidy.

Mr. WINCH: But if you follow that principle through, then the federal government could establish a crown company and put its operation under that.

Mr. MICHENER: They might do that.

Mr. WINCH: They might incorporate all the departments. I would not put it past them either.

Mr. FRASER (*Peterborough*): There are many public buildings in Canada where the top floor is set aside as living quarters for janitors. Would part of that building be exempted from this, or would it all be exempted?

The CHAIRMAN: I do not know the answer to that.

The WITNESS: You mean quarters occupied by a caretaker? We would pay grants on that.

By Mr. Fraser (Peterborough):

Q. Yes, living quarters.—A. We would pay on that. As a matter of fact, we already pay on that under the housing section, section 8, where we pay on domestic housing. We pay that now, and this amendment will just include it in the general grants.

By Mr. Winch:

Q. Even in the post offices?—A. Yes. We separate that portion used for living quarters out of the main building. Of course under the amended bill, it will not be necessary to do that.

Q. You will pay on the whole building in the future?—A. Yes, that is right.

The CHAIRMAN: But the local municipality would probably differentiate in their assessment. They would assess part of it as commercial property, and part of it as residential property.

Mr. FRASER (*Peterborough*): It depends on which way they could get the most taxes.

The CHAIRMAN: I think you have a point there. I think that it is normal to assess part of it as commercial property and part of it as residential property. If they think they can get more by assessing it all as a commercial property, they may try. That is one reason the crown reserves the right to accept or reject their assessment.

Gentlemen, if there are no more questions we will consider the bill itself.

Clause 1 agreed to.

Clause 2 agreed to.

On clause 3:

3. Section 5 of the said Act is repealed and the following substituted therefor:

Calculation of grant.

"5. (1) A grant may, pursuant to this section, be made to a municipality in respect of any federal property in the municipality, not exceeding the amount obtained by applying

(*a*) the effective rate of the real estate tax levied in the municipality in the appropriate tax year,

to

(*b*) the accepted value of that federal property.

Calculation of grant where separate tax for school purposes.

(2) Where, in any municipality, a separate real estate tax is levied for school purposes varies with the support of different religious denominations, in determining the amount of any grant made to the municipality under this section

(*a*) there shall be substituted for the rate referred to in paragraph (*a*) of subsection (1) the effective rate of the real estate tax levied for purposes other than school purposes, and

(*b*) there shall be included in the amount of the grant an amount not exceeding a fraction of the accepted value of federal property in the municipality, such fraction to be determined as follows:

(i) the numerator is the total amount of the real estate tax levied in the appropriate tax year for school purposes, and

(ii) the denominator is the assessed value of all real property in the municipality in respect of which a person may be required by the municipal taxing authority to pay a real estate tax levied for school purposes.

Deduction of certain amounts from grant otherwise payable.

(3) The Minister may, in determining the amount of any grant to a municipality under this section, deduct from the amount that might otherwise be payable

(*a*) an amount that, in the opinion of the Minister, represents

(i) the value of a service that is customarily furnished by the municipality to real property in the municipality and that Her Majesty does not accept in respect of federal property in the municipality, or

(ii) the value of a service customarily furnished by municipalities that is furnished to taxable property in the municipality by Her Majesty; and

(*b*) such other amount as the Minister considers appropriate having regard to the existence of any special circumstances arising out of any heavy concentration of federal property in the municipality.

Where full amount of grant not taken into account.

(4) Where, in preparing its budget for a tax year, a municipality has not, in the opinion of the Minister, taken into account the full amount of any grant that may be the amount of that grant, make such adjustment in the rate referred to in paragraph *(a)* of subsection (1), or in the rate referred to in paragraph *(a)* of subsection (2) or the denominator referred to in paragraph *(b)* of subsection (2), as the case may be, as, having regard to the amount of the grant or portion thereof not so taken into account, he considers appropriate."

Mr. WINCH: I would like to ask a question in regard to the explanation. "This amendment would permit grants to local taxing authorities which may not be 'municipalities' within the meaning of that term in the province concerned."

The CHAIRMAN: Where is that?

Mr. WINCH: That is on the third clause.

The CHAIRMAN: Where were you reading from?

Mr. WINCH: On page two in respect of clause 3, which explains that grants could be paid to a taxing authority which may not be classed as a municipality. In view of the fact that there are, in some provinces—and I know that there are in our own province of British Columbia—a great many federal operations on land which is taken out of the taxation, and comes within the real estate taxation jurisdiction of the provincial government, will this exclusion have any application in respect of the payment of taxes to the province in respect of its power as a real estate taxation division? If not, why not?

The CHAIRMAN: I would judge, from reading the act, that if they are provincial crown lands that are occupied in unincorporated places, that they would not receive the grants.

Mr. WINCH: This is an exclusion from the definition of a municipality. Now, a great deal of the real estate—if I may use that term—which is federally owned, comes under the real estate taxation powers of the provinces. Under this definition here, or this wording, it seems to me that the province, in the light of that power, is included under the grants.

The CHAIRMAN: I would not think so.

Mr. WINCH: That is the question. If not, why not?

The WITNESS: I think I know what Mr. Winch is talking about here. He is referring to the situation which exists largely in British Columbia and northern Ontario. British Columbia is 98 point something per cent unorganized territory. There are some federal properties in those areas. The kind of tax in that case is a general tax, Mr. Winch, which is not related to any service whatever. It is just a general one per cent, two per cent or three per cent tax on the land in the unorganized territory. It is not related to a tax on property for services supplied to that property. The only service tax would be a school tax to the school district in which the property is located.

By Mr. Winch:

Q. If you happen to have a home up there you are taxed a real estate tax.—A. Yes, but irrespective of what services are supplied you pay that.

Q. You still have to supply roads in the province?—A. That is true.

Mr. BENIDICKSON: You would oblige the federal government to pay taxes to the province whether there are roads or not? In Northern Ontario you would pay a fixed tax if it happens to be in an unorganized territory whether or not there were any roads.

Mr. WINCH: The land is taken out of the taxation, and it is taken out of it by the same principle, which was explained by the minister. There was to

be a tax paid, and there was to be a grant in lieu of taxes if the land was taken out of the taxation; that is, federal land under the provincial taxation field, which is taken out of the taxation. Why should the same principle not apply?

The CHAIRMAN: You mean a reimbursement to the province?

Mr. WINCH: Yes. It is land which is taken out of their general taxation, in unorganized territory.

The CHAIRMAN: It may be a principle, but it is a principle that has not been recognized to date—that the crown pays to the crown, except by agreement.

Mr. WINCH: Then you are not following the recognized principle of making payments, on property owned by the crown, to the municipality. Therefore it is a new principle, and a good principle, but if it applies in the one case, why is it not going to apply in the other?

Mr. BENIDICKSON: We have other tax agreements with the provinces that supply them substantial sums of money.

The CHAIRMAN: I think the major problem between the federal government and the provincial governments comes up in the tax agreements. Even if you take out 100,000 acres of crown land, up in northern British Columbia somewhere, the potential tax loss there is negligible, because they are getting nothing for it anyway. I think the answer is, probably, that the provinces have never pressed for it, because it has little significance. Would that not be the answer?

By Mr. Winch:

Q. As I understand it, the federal government is paying taxes on their research building on the university campus, which is outside of Vancouver. Now, that is not in the municipality. That is something which comes under the jurisdiction of the province of British Columbia.—A. We are not paying taxes on that.

Q. You are not? Why are you not?—A. It is not a municipality.

Mr. WINCH: When the supplementary estimate was brought in by the Minister of Finance, I asked him specifically as to whether this applied. He indicated, and the only answer I could get from him was, that it was being paid on a certain building. I am afraid that the minister thought that building was in the city of Vancouver, but it is not. It is on the university grounds, which are owned, as crown property, by the province of British Columbia. Now, the department of the government of British Columbia has a taxation power the same as the municipalities, but it is not a municipality at all. Now, if it applies to a federally owned building on a university campus, then why does it not apply on the other land taken out of taxation? Why does that same principle not apply?

The CHAIRMAN: Is the University of British Columbia a crown corporation?

Mr. WINCH: No, it is a special department. I think it is under the Department of Lands and Forests.

The WITNESS: It is a corporation set up by its own act and its lands are provincial crown land.

By Mr. Winch:

Q. That is right, and operated under a department of the provincial government.—A. I do not recall the reference that you are making.

Q. It was a statement made by Mr. Harris in respect of the supplementary estimates.

Mr. CAMERON (*Nanaimo*): I was also disturbed by Mr. Harris' statement. I came to the conclusion that he was quite confused himself. He thought this building was in the municipality of Vancouver.

The WITNESS: The only building that we are paying on in Vancouver is the D.V.A. building on Haro Street, which is on land owned by the city of Vancouver.

Mr. CAMERON (*Nanaimo*): He made a specific reference to—

The WITNESS: We may have confused him, in our discussion with him, by referring to this building as one of the buildings that exists in Vancouver on leased land.

By Mr. Winch:

Q. Will the same principle apply in regard to airports, which are on land in unorganized territories? Are there not taxes paid with respect to those?—A. I do not think I can give you an answer. It is really a matter of policy. But, I can say this; no one has ever suggested, either provincially, or federally, that it should be, and I think it is pretty well established that the provincial crown does not tax the federal crown, and vice versa. If that were happening in respect of a provincial crown taxation right, having regard to a certain area, you could extend it much further than that. It would then enter the field of sales tax, and income tax, and so forth.

Q. There are exemptions on that. But, this is different, because of the federal authority in respect to the lack of the power of taxation on the land.

The CHAIRMAN: Mr. Winch, is it not a fact that the whole principle of this bill is just what its name indicates—the Municipal Grants Act? It is aid to the municipalities. It is not drawn up with a view to paying the provinces; that is, the Crown in the right of the Dominion is not payng to the crown in the right of a province. That is not the principle of this bill at all. This is a bill in respect of the Municipal Grants Act. I am not saying there might not be a principle there. Maybe it will be negotiated some day.

Mr. WINCH: The very reason that I am raising this point, Mr. Chairman, is because of the emphasis that was placed on the opening remarks of the Minister of Finance—that this bill had no connection whatsoever with the physical needs of the municipalities. Therefore, what is being done, on the basis of the principle, is that the federal government recognizes the responsibility of paying the taxes on its own property. Now, that is the only attitude, understanding, or interpretation that we can take as a result of the statement of the Minister of Finance, because it is a principle that the federal government should pay those taxes. What I am trying to find out is: if this principle applies in respect of municipalities, and I say that it does, then it should also apply in any other field of taxation in which you have a federal building, or federal property.

The CHAIRMAN: I cannot say if that principle is embodied in this act.

The WITNESS: Mr. Harris did say that this bill was intended to assist municipalities to meet their obligations due to the presence of federal property within their borders.

By Mr. Winch:

Q. I am glad to accept that. I wonder if the hon. gentleman would now explain why there is no change and why they will not take in the cost of the construction of roads and sidewalks.—A. We do so if they are local improvement charges. We accept them. If they are part of the general tax rate we propose to pay the full tax rate.

Q. I was thinking in part of the cost of building allocated over the years; you will pay that on the cost of construction of roads and sidewalks?—A. Yes, we have always paid on local improvements.

Q. And not put any taxation on it?—A. I think you are referring to the exemption in the original act which said that roads and sidewalks are not considered material services.

Q. And it is still there.—A. No, it is not. The criteria of material services have been removed in this amendment. It comes out in this bill. Clause 2 says that section 3 of the said act is repealed. It removes section 3 of the act.

The CHAIRMAN: That deals with the very thing you were talking about.

The WITNESS: We have always paid for local improvements as such where they were specifically charged for roads or sidewalks, etc. and were charged against the property.

Clause 2 agreed to.

On clause 3—Calculation of grant.

3. Section 5 of the said act is repealed and the following substituted therefor:

Calculation of grant.

"5. (1) A grant may, pursuant to this section, be made to a municipality in respect of any federal property in the municipality, not exceeding the amount obtained by applying

(a) the effective rate of the real estate tax levied in the municipality in the appropriate tax year,

to

(b) the accepted value of that federal property.

Calculation of grant where separate tax for school purposes.

(2) Where, in any municipality, a separate real estate tax is levied for school purposes and the rate of the tax levied for such purposes varies with the support of different religious denominations, in determining the amount of any grant made to the municipality under this section

(a) there shall be substituted for the rate referred to in paragraph (a) of subsection (1) the effective rate of the real estate tax levied for purposes other than school purposes, and

(b) there shall be included in the amount of the grant an amount not exceeding a fraction of the accepted value of federal property in the municipality, such fraction to be determined as follows:

(i) the numerator is the total amount of the real estate tax levied in the appropriate tax year for school purposes, and

(ii) the denominator is the assessed value of all real property in the municipality in respect of which a person may be required by the municipal taxing authority to pay a real estate tax levied for school purposes.

Deduction of certain amounts from grant otherwise payable.

(3) The minister may, in determining the amount of any grant to a municipality under this section, deduct from the amount that might otherwise be payable

(a) an amount that, in the opinion of the minister, represents

(i) the value of a service that is customarily furnished by the municipality to real property in the municipality and that Her Majesty does not accept in respect of federal property in the municipality, or

(ii) the value of a service customarily furnished by municipalities that is furnished to taxable property in the municipality by Her Majesty; and

(*b*) such other amount as the minister considers appropriate having regard to the existence of any special circumstances arising out of any heavy concentration of federal property in the municipality.

Where full amount of grant not taken into account.

(4) Where, in preparing its budget for a tax year, a municipality has not, in the opinion of the Minister, taken into account the full amount of any grant that may be made under this section, the Minister may, in determining the amount of that grant, make such adjustment in the rate referred to in paragraph (*a*) of subsection (1), or in the rate referred to in paragraph (*a*) of subsection (2) or the denominator referred to in paragraph (*b*) of subsection (2), as the case may be, as, having regard to the amount of the grant or portion thereof not so taken into account, he considers appropriate."

By Mr. Fraser (Peterborough):

Q. Referring to sub-clause (2) of clause 3, it says "where, in any municipality, a separate real estate tax is levied for school purposes . . ." how is this applied? How is it dealt with? How do you designate where it goes and how it goes? I know it is given to the municipality, but in the municipality there might be a question asked as to which party should have this school fund, or what denomination should have the school fund.

The CHAIRMAN: Is that not a local problem?

By Mr. Fraser (Peterborough):

Q. Not necessarily, because I would judge that it would be dealt with the same as it is now, that the person who was taxed designates the tax and says where it should go, or which school board should receive it.—A. We pay the tax to the taxing authorities. We do not attempt to distribute it by its component parts. It is up to the municipality to do that.

Q. And they have to go into a huddle to see how it should go.—A. Yes. It is their problem to decide how it should go. It is generally shown in most tax bills at a definite rate but we felt that we should pay the tax to the taxing authority and that was that. If a school board is the taxing authority under this act then we have the power to pay to it direct but this is rare.

Q. You pay school taxes under this act?—A. Yes, but they are calculated by the municipality in nearly all cases. So we pay the whole tax over to the municipality and what they do with it is between them and the province.

Q. It is up to the municipality. You do not do as the ordinary taxpayer does, that is, mark down on it which school you want to go to?—A. The normal taxpayer pays one cheque into the municipality and not to the school board.

By Mr. Winch:

Q. In British Columbia they are organized as school districts.—A. The school district in an unorganized territory, provided it is a taxing authority, would qualify.

Q. In British Columbia the school district is a taxing authority.—A. If it is a taxing authority it would qualify under this act, because we have described a municipality in this bill for the first time as an amending bill, and it is given a special definition which is much more extensive than the ordinary definition of a municipality.

Mr. MACDONNELL (*Greenwood*): I have a question relating to clause 3, line 4, on page 3.

By Mr. Michener:

Q. On the same point I understood the witness to say that there is nothing in the act to appropriate the payment which is made to the municipality for any specific purpose. It is simply a payment of a sum of money to a municipality. Is it the practice in making that payment to show how the sum is made up, that is, as between rural property tax, school tax, separate school tax, or whatever it may be?—A. No. We pay the overall amount to the municipality, and we do not know where and how it is broken down.

Q. All the municipality gets is the tax?—A. That is right.

Q. There is no power in the act to designate or appropriate the money?—A. There is no power in the act. We are very loath to get mixed up in it. The province of Ontario has been approached by municipalities to do this and they also are very loath to get mixed up in it.

By Mr. Pallett:

Q. The province of Ontario does not pay school taxes as such?—A. They have been approached to put something in the municipal act whereby the school board must pay over to—or share any grants, but there is no legislation requiring them to do it.

Q. There is no provision that part of the payment should be used to reduce school taxes?—A. The overall effect is the same, but the intent may be different.

By Mr. Crestohl:

Q. Do you receive an account from the municipality to show how their payment is made out?—A. From some muicipalities, yes; but normally they make application to us on our form.

By Mr. Fraser (Peterborough):

Q. Has the form got any mention of school taxes on it?—A. Yes.

Q. It states how big is the public school and the separate school, and you pay them? That is the way you do it?—A. Yes, that is the way we do it in the case of the province of Ontario which is the main one concerned in this.

By Mr. Macdonnell (Greenwood):

Q. I have two small questions on page 3, line 4, "the accepted value of that federal property"; and then going further down to line 33 "on the administration of cases where Her Majesty does not accept the services in respect of federal property." Accepted value in my first question.

The CHAIRMAN: What page is that?

By Mr. Macdonnell (Greenwood):

Page 3, line 4. I think we were told that it was the muncipality's assessment that established the accepted value, but I would like you to cover it again.—A. Accepted value is defined in the main act as follows:

> "accepted value means the value that, in the opinion of the Minister, would be attributed to federal property by a municipal taxing authority as the base for computing the amount of real estate tax applicable to that property if it were taxable property:

By Mr. Winch:

Q. Does that mean that if there is any disagreement between the taxing authority and the federal government as to the value, and as to who is going

to set it, you are going to follow the procedure of ordinary parties of having an appeal made, of making an appeal to an independent board?—A. No.

Q. It means that it will be established by the minister?—A. In the last analysis by the minister.

Q. Just why? On the basis of principle in this act when there is any dispute between the assessors and the valuation of the federal government, then the federal government will decide who is right; whereas any other taxpayer, whether he be a home owner or a business man, when he gets his tax bill, and if he does not like it, then he has the right to appeal against it and to go before an independent board of commissioners.

The CHAIRMAN: I think you know the answer to that yourself, Mr. Winch.

Mr. WINCH: I have made an appeal myself and I know how it operates.

The CHAIRMAN: First of all, the government has no vote in that municipality. To start with, that is a consideration; they always consider the voters. And secondly, if a municipality decides to be unfair and to assess a $½ million building for $2 million, and if the government appeals it, you know where it would go. It would go before a court of revision, and who is the court of revision but the municipality! It means that the government would have to carry such a case as far as the court of appeal before it could get an answer.

Mr. WINCH: I am not prepared to admit that because I think it is an attack on the independence of the board to whom you carry your appeal, and I think they are honest people.

The CHAIRMAN: I think so too, but there is a little larceny in everyone.

Mr. WINCH: I do not think you mean it quite that way.

The CHAIRMAN: It is a possibility.

The WITNESS: It is the established practice everywhere that these payments are made in that way. That is the practice in the United Kingdom and in Ontario.

Mr. WINCH: Well, the next time I am taxed I would like to say that I can state what the valuation is, and not the assessor.

The CHAIRMAN: No, you have the wrong principle. We are saying that. If taxes go up, as long as we are assessed fairly, as long as we are assessed as fairly as other property in the municipality, then we accept it.

The WITNESS: This is an ex gratia payment, while your payment is not, Mr. Winch. But I want to say there is a practical reason for it. A great many municipalities are not in a position to assess properties that we have which are so completely different from normal properties. Many of these small municipalities have not got the technical information or the ability to assess them. The local assessors would be handicapped in assessing them in the normal course. So we have found for all practical purposes that this method is cheaper and more efficient for everybody concerned.

I do not think that the municipality loses out. For example, in Ottawa we have only two or three properties out of 800 or 900 in which there have been disputes, and that is a pretty small amount. I think that in over 95 per cent of our property assessments there is no problem with the municipalities as to what the proper valuation is. We have even had Toronto asking us to send somebody down to help them value the property.

Mr. QUELCH: What is the situation regarding federal property and the housing of federal employees within national parks and within areas which are taxed for school purposes under provincial legislation such as at Banff?

The CHAIRMAN: I would judge they would pay up.

The WITNESS: If it is within organized territory, we would pay.

By Mr. Macdonnell (Greenwood):

Q. Where Her Majesty does not accept the services customarily furnished, on line 33; may we have an illustration of what is meant by that?—A. That would be services not accepted.

Q. That is right.—A. The city of Ottawa which is the best example I can give you, that is where most frequent adjustments are made. For example, special police protection is provided by the R.C.M.P. instead of by the city police, and by the provost corps, and there are other items such as garbage collection where we provide our own garbage collection rather than to use the city-provided services, and sewage disposal for certain of our properties such as the Rockcliffe airport.

Q. Is that because of the dangerous people who infest Ottawa from time to time?—A. At one time we discussed this with the city police to see if they would take over some of these services, but they preferred to leave matters as they are.

Clause 3 to 9 inclusive agreed to.

Title agreed to.

Mr. MICHENER: I would like to revert to clause 9. We are making the act come into force as of January 1. That, I take it, is a convenient date for the municipalities this year?

The CHAIRMAN: They usually tax for the calendar year.

Mr. MICHENER: There is nothing retroactive about it? It just makes it applicable to the whole of the calendar year 1957?

The CHAIRMAN: To the whole of the municipal taxation year, I would judge.

By Mr. Fraser (Peterborough):

Q. Mr. Chairman, if bills were sent by the municipalities now, when would they be paid?—A. It would vary a great deal, depending on the assessments of the municipalities. For instance, in Ottawa, it takes some months to calculate it. Some could be paid in a very short time. Normally they are paid fairly quickly.

Q. Within two or three months?—A. Yes, but normally we do not anticipate paying any before the middle of the year.

Q. That is what I am trying to get at. You would pay them when the municipal taxes are due, or within that period?—A. Wherever it is possible to do so, but it is not always possible.

By Mr. Michener:

Q. Probably what I was thinking about, as we skipped over this clause, was that the assessments in some municipalities are made in one year, and the taxes are struck on that assessment in the next year. I take it that this amendment will apply to the municipal taxes for the year 1957?—A. That is correct. Some assessments were actually made last October or November, for instance.

Mr. MACDONNELL *(Greenwood)*: I just want to clarify one thing which was said in answer to a question put by Mr. Winch. It was said that these were not really tax payments, they were just ex gratia. I think I appreciate the legal position, but I would just like to be assured that what the department is trying to do, and I think we have been told, is to pay the same amount in taxes as they would pay if they were not ex gratia.

The WITNESS: I was just trying to illustrate the legal position to Mr. Winch.

Mr. MACDONNELL *(Greenwood)*: All right.

The CHAIRMAN: Shall I report the bill?

Agreed.